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Maclean's

JUNE 8, 1998



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Macleans's CANADA'S WEEKLY NEWSMAGAZINE This Week

JUNE 8, 1998 VOL. 111 NO. 23

Departments

EDITORIAL 2
LETTERS 4
OPENING HIGHLIGHTS 12
COVER 14
CANON/SPECIAL REPORT 22
CARON 26
FOCUS & C 32
A special police issue tackles the province's unsolved murder mysteries.
PEOPLE 37
WORLD 38
BUSINESS 44
Boy Street is making little progress in the battle over bank mergers. Bank earnings however, have never been better. Daniel Black considers a banner year, but the future may not be quite so rosy.
THEATRE 51
Of the five shows opening Ontario's 27th annual Strat Festival, two—*The Lady Not For Darning* and *You Can't Take It With You*—are far better than the others.
NUDE 54
This spring and summer, a number of sets of post-ford rock icons are making their debuts, and a few of them—including native Britisher Puffinberger, son of Julia McCann and London Newmarket 41 and Vancouver-based Tr. Backman, son of Randy Backman—show real promise.

Columns

CHARLES GORDON 11
BRUCE WALLACE 34
ROSS LAMAR 48
PETER G. HEWMAN 52
ALLAN FOTHERINGHAM 58

Macleans on the Internet:
<http://www.macleans.ca>

Macleans's editorial board members are also active participants in the Canadian Press Association's (CPA) efforts to improve the quality of journalism. The CPA is a non-profit organization that promotes the highest standards of journalism and provides a forum for the exchange of ideas and information among its members. The CPA is also a member of the International Press Union (I.P.U.) and the International Federation of Journalists (I.F.J.).

Cover 14

Viagra fever

Canadian authorities have yet to approve Viagra, the groundbreaking potency drug. But that has not stopped thousands of Canadians from cross-border shopping, using U.S. doctors, pharmacists and even the Internet in pursuit of space in their sex lives.



Features

22 SPECIAL REPORT The cry for tax cuts

John Weeks of Cape Breton is one of many Canadians angry over the high level of taxation. But some governments are better placed than others to offer relief.



28

Answering the call

The military opened a new sexual abuse hotline last week—and Master Sgt. Bobbie Fortin was among the women who phoned.



38 The 'Islamic bomb'

Turning a deaf ear to pleas from world leaders, Pakistan answers India with nuclear tests of its own and escalates the new arms race.

From The Editor

Saluting an editor's editor



The legendary Maclean's editor Ralph Allen once recalled a time when he was not such a legend: He had just submitted his first article to the magazine as a staff writer in the late 1940s and it had come back with 46 corrections and comments scribbled in the margins. "One of us is crazy," he told the man in charge at the time. "Very likely," replied the man in charge. Added Editor Arthur Irwin, "Let's figure out which one it is." Three hours later, Allen had lost 46 consecutive rounds and began rewriting his article.

Such tenacity in pursuit of excellence was Irwin's trait, the kind of determination that laid the base for the modern Maclean's—and, perhaps not coincidentally, found Irwin celebrating his 100th birthday last week in Victoria with his devoted family and friends. That Irwin may be little known to the Canadian public owes both to the passage of time and his own self-effacing conduct. But in his time, he made a difference. After serving in the First World War, he spent 25 years at Maclean's, the last five as the editor. His was a golden era. He hired the best writers he could find—including W. O. Mitchell, Pierre Berton and Blair Fraser—permeated ever a series of hard-hitting investigative reports and introduced the scope of the magazine. After stepping down in 1956, he went on to establish the center as head of the National Film Board and as Canada's official representative in Australia, Brazil, Mexico and Guatemala. Later, he was publisher of the Victoria Daily Times.

Irwin's years at Maclean's reflected a country as it came of age, and prove that not much changes. Irwin was proudly Canadian, concerned about the overbearing influence of the United States and

the fragile state of the Canadian union. As a writer, one of Irwin's coups was an exhaustive series of articles in 1937 about the loss of talented Canadians to the United States, which was based in part on a questionnaire sent to 1,000 university graduates who had moved away. One factor, Irwin concluded, was the reluctance of Canadian employers to hire young people.

As an editor, Irwin also was the driving force behind the magazine's investigation of the so-called Irwin Gun scandal, which showed that the King government was giving lucrative arms contracts to its pals without tenders. The report prompted a royal commission, a public memory inquiry and new regulations for the procurement of weapons. His magazine also included the first vivid accounts from the D-Day landing and articles on such powerful trends as the quest for nuclear energy by Canadians crossing into the United States and the hotly debated introduction of the foreign press in Canadian football. Understandably, the Irwin legacy is an important one today in the halls of Maclean's where, for better or worse, many of the same themes resurface on the agenda. To honor his contribution, Irwin and Irwin's have established the W. Arthur Irwin Prize at Victoria College, part of the University of British Columbia.

Last week, the Irwin-Maclean Reader Fund was proud to add its name to that list in honor of a true national treasure.

Robert Lewis

Newsroom Notes:

A wall of silence

While preparing this week's cover story about the groundbreaking new potency drug Viagra, Senior Writer Joe Chedley discovered that finding sources was an especially daunting task. "The issue of erectile dysfunction is so wrapped up with men's sense of worth," Chedley notes, "A lot of sufferers don't want anyone to know."



Chedley, finding lost

the new drug, which is not yet available in Canada. He concluded that the wall of silence about erectile dysfunction may fi-

nal

nal

Next week

A special report will provide an exclusive, province-by-province survey of health care in Canada, from the number of hospital beds and doctors to how people are treated when they are sick.

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Recruiting office at Toronto looking behind curtains

Tarnished Forces

So, when will Madeline's call me for my history ("Rage in the military," Cover, May 25)? I am a woman who has served in the Canadian Forces for 14 years. Through the military, I have received a university education, I've travelled across Canada and the world. I have a challenging job that I enjoy. I've met interesting people and have had the pleasure to work with true professionals in an atmosphere of mutual respect. Have never suffered injustice. I've never been raped, beaten, threatened, intimidated or harassed. My experience, and that of the overwhelming majority of my female counterparts, has been extremely positive in all respects.

Carl Green-Gleason,
Ottawa

Your words brought back crystal-clear memories during my military career in Egypt. In 1977, the commander of the Canadian contingent of the United Nations delivered a lecture about proper conduct to the 700 Canadian personnel under his command, about a dozen of whom were women. He told the men that he didn't want them messing around with the local women, then added

that he didn't know why they would bother since they already "had it" in camp (gesturing to women's small group of women). The second memory is the summer of 2005 when I was in Montreal. The regimental commander was showing a VIP around our quarters. Several of the francophone women were upset after the VIP's left. I asked why and was told that, in response to the VIP's comment about the quality of women in the Van Doos, the commander had replied: "Oh, they are for the use of my men." Of course, I never complained, no one ever did, because it was well known that those who complained about senior personnel would be punished for it, sometimes harshly. It seems, however, that I was much better than these unfortunate women who were abused and served with a different kind of Canadian servicemen, for, in fact, I was rarely treated with anything but respect by my male co-workers. But, without truly enlightened leaders, "leadership by example" becomes a hollow mockery I hope and trust that the respect of this hidden share of the military will not stay the same dark cloud over all servicemen, as the Somalia scandal cast over the honorable members of the Airborne Regiment.

Monica Jones,
Winnipeg

Although I do not excuse or condone sexual harassment or assault and agree that such incidents should be made public, I nevertheless consider your report to be poor, unbalanced and sensationalist. It unfairly criticizes all of the Canadian Forces and makes only them and not their political masters for this sorry state of affairs. Unlike what your articles suggest, the military never sought to have women in combat roles. I suggest that a great portion of the blame for this less-than-satisfactory state of affairs lies with Canadian governments who prefer to use Canada's armed forces as a tool to achieve partisan political ends and as a test bed for social experiments, rather than as a vital instrument of national security.

Robert Denton,
Toronto

Your articles alleging rampant, systemic and encouraged abuse of women in the military are a prime example of what is wrong with Canadian journalism today. You make unfair and damning generalizations based on rela-

The devil's television

I was raised in a middle class family and at the age of 22 fulfilled the last part of my dream by becoming a local golf professional. Over the next 10 years, the second half of my dream was realized when I became the head golf professional at a course in Saskatchewan. I had everything: a great job, a loving family, a home, security and respect. That was only three years ago, before the government introduced video lottery terminals—the devil's television—to our community ("The curse of casinos," Cover, May 12). I had never gambled in my life, except for the occasional low stakes game on the course with friends. I had never even bought a lottery ticket, but everything in my life is gone and I am writing to you from the Winnipeg Remand Centre, where I await my trial on several robbery charges. The biggest problem with a gambling addiction is that it is a hidden disease—there are no physical signs. Gambling can control your thoughts to such a point that everything revolves around gambling.

Dan Swales,
Winnipeg

tively little evidence—much of it anecdotal. This is belated journalism at its worst, hidden behind a facade of responsible, investigative reporting. In any case, years of service in the army. I was never aware of anything that would support your conclusions. The media impressions left by these stories have yet again damaged the fragile image of the Canadian military. I am the chief of defence staff and am responsible for the men and women who are currently in the front lines of our country. I am sorry to hear that you have such a low opinion of our country in the military. It is true that the media does seek to make a name for itself by reporting on the military as a closed, secretive and discriminatory organization secretly committing atrociously wicked attacks. There are far more substantial defence-related issues to cover.

Colt Philip D. Orr (Colt),
Calgary

As a serving member of the Canadian Forces, I am tired of department of national defence bureaucrats (both in and out of uniform) and elected politicians hiding behind the excuse that these things happen because the Canadian Forces is representative of Canadian society. Like with our police forces, the judiciary, medical professionals and, yes, even our elected officials, the Canadian public has the right to expect the best of the people charged with their protection. There should be no room for either crooks or criminals. Until that happens, the loss of

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COVER *Viagra* Fever



Rob and Cindy Carter: after a painful history of trying herb-based drugs and injection therapy, they drove to Lewiston, N.Y., for 10 little blue pills



Ottawa has yet to approve the potency pill—but many Canadians are not willing to wait

BY JOE CHIDLEY

I did not arrive in a plain brown wrapper, but it was close. When the UPS delivery man handed me Mike's box in Regina on the morning of May 22, he was carrying a brown envelope, albeit festooned with Canada Customs stickers and formal-looking information about the contents. Inside, there wasn't some new-fangled sex toy or dirty movie. But Mike was still hoping that the package's contents would speed up his sex life, to say the least. For the past two years, Mike—a 36-year-old salesman who, not surprisingly, requests anonymity—has had trouble achieving an erection. Sex with his wife had "seriously stalled," he says. "My brain was willing, but everything else wasn't. And I've been scared. I didn't want to face the prospect of things not working."

Small wonder, then, that his hopes were rising high on the 30 diamond-shaped pills that arrived from a pharmacy in Minot, a North Dakota town four hours south of Regina. Mike had heard about Viagra, the groundbreaking medication for erectile dysfunction (the more precise and politically correct term for impotence) produced by Pfizer Inc. of New York City, and available in the United States since early April. Trouble is, Canadian authorities have yet to approve the drug—and are unlikely to do so until at least the fall. But Mike was not about to wait. Instead, he found the Minot pharmacy in a phone book and confirmed that it would honor a prescription written at Saskatchewan. Mike's urologist refused, but his GP wrote the prescription and sent it to North Dakota. A week later, the UPS man stood on Mike's doorstep, carrying the promise of potency.

A few days later, when his wife of two years had

a day off, Mike took a pill and waited, thinking—and worrying—about when it would work. "I had all of a sudden, about 45 minutes later, there it was. Like, whoa! Hello!" It was not perfect: his penis was not completely hard, and it took him about four hours to reach orgasm. But he can live with that. "It's like a dream come true," he says.

Mike is not alone, either in craving Viagra or in getting it through the back door. A relative handful of Canadians—those who participated in Pfizer's trials at 27 urology clinics across the country—are still receiving Viagra through official channels. But across the country, thousands of the estimated three million other Canadian men who suffer from some degree of erectile dysfunction are jumping on the Viagra bandwagon, too. Not to put too fine a point on it, they want a piece of the action. Many are going to American urologists for consultations. Others, like Mike, are demanding that Canadian doctors write prescriptions to be filled at border towns. And more troubling, some are using the Internet to order the drug, sight unseen by any specialist.

Viagra fever has hit Canada, bringing with it a host of questions about official, social and sexual implications. Should Canadian doctors be writing prescriptions that can only be honored in the United States, and not in the provinces in which they are licensed? Should the government deny medication to Canadians, no matter what the demand? And what about women? What do they think of the craze over the pill? Does the road, could using Viagra benefit women, too?

It might seem like a lot of fuss over a little blue pill that Pfizer developed as a treatment for angina, only to find during testing that it had the side-effect of facilitating erections. It works by regulating the

The authorities refused the company's request for fast-track approval of the drug in Canada

30 and one in eight men will experience total erectile dysfunction by age 60. It can be caused by a host of physiological conditions, all of which tend to impede blood flow in the penis. Among the most common are diabetes, hypertension and blood-pressure irregularities, men who have had surgery for prostate or colon cancer are also at risk. Alcoholism is a factor, as is smoking. A range of psychological problems, from stress and fatigue to depression, can also cause erectile dysfunction. To be sure, however, because of the stigma attached to impotence, very few men suffer—at least 10 per cent, specialists say—get help.

Viagra seems to be changing that. "I get stopped everywhere," says Dr. Sidney Rademski, a urologist at The Toronto Hospital. In his clinic, Rademski says he has fielded "hundreds" of requests for the drug. "People are coming out and saying, 'I have a problem and I want the pill and I want to be treated.'"

But the interest in Viagra is also creating a problem for advertisers and their doctors, simply because the drug isn't yet approved in Canada. Last November, Pfizer Canada, based in Montreal, filed an application for Viagra with the Bureau of Pharmaceutical Assessment, the division of the federal Health Protection Branch that approves and monitors new pharmaceuticals. That was only a month after Pfizer filed an application with the U.S. counterpart, the Food and Drug Administration. In Washington, the drug qualified for a fast-track approval—hence its April release in Canada, the criteria for the fast track are more strict: the drug has to show a life-threatening or seriously debilitating condition. Although Pfizer requested that Viagra be given quick consideration, Canadian health authorities turned the company down.

How much longer it will take Ottawa to approve the drug is unclear. Mary Carman, director of the Bureau of Pharmaceutical Assessment, says the entire process usually takes 18 months. But that depends, she adds, on the quality of the data the drug company has presented and on the situation of resources from Health Canada. Right now, the bureau is conducting safety reviews of Viagra. Nothing is certain in the world of drug approval, but the time frame for review is 300 days from the date the Health Protection Branch accepts the drug company's application, which was last December. That might mean Viagra will be approved by September—or not.



Carman over-
confusing
detailed safety
reviews to
determine
dosages and
effectiveness,
with a possible
approval by
September

"We piece together the puzzle by analyzing and validating the outcomes of the tests," says Carman. "These are very detailed studies."

For Toronto Hospital's Rademski, whose impotency clinic is participating in the drug trials, that is not good enough. He calls Health Protection Branch officials "a bunch of bureaucratic idiots" for not putting Viagra on the fast track. "Here I am, one of the researchers in the study, and I can't prescribe the drug because the Health Protection Branch doesn't want to get off their butts," Rademski laments.

"And yet some Joe Blow family physician or urologist in the States, who's never worked with the drug before, can prescribe it all the cows come home. It just doesn't make any sense."

In the U.S. communities that dot the border with Canada, dealing with Viagra fever has become something of a cottage industry. Dr. John Pettit, who runs a urology clinic in Bellingham, Wash., about 20 miles southeast of where the interstate highway crosses into British Columbia, says about two dozen Canadian doctors—most in their 50s and 70s—have come to see him since April. Pettit insists on a medical evaluation before he will prescribe the drug and he forwards the test results to the patient's Canadian physician. Typically, the consultation costs between \$165 and \$175, and the patient leaves with a couple of sample tablets and a prescription for 10 or 20 more. Pettit says he is careful to ask patients what other drugs they are taking—especially cardiac medications like nitroglycerine pills, which is contraindicated for Viagra. A handful of these consultations, Pettit adds, have been healthy men who simply wanted to experiment with the drug. "I've turned away a few," he says.

Just to the north, in the town of Ferndale, another Washington business enters to the Canadian demand for Viagra in a different way. Like a growing number of U.S. pharmacies in North Dakota, New York, Michigan and other states, Ferndale Drugs will honor prescriptions written by Canadian doctors. Behind the counter, Steven Erickson, one of the store's four pharmacists, says he has seen "quite a few" Canadians looking for Viagra—although even more place their orders without bothering to come to Ferndale at all. "We get a lot of mail requests," says Erickson. "They'll have their doctor phone or fax a prescription to us. We get one of those a day." Most Canadian



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Maclean's
WHAT MATTERS TO CANADIANS

Anderson:
frustrated at not
being allowed to
prescribe the drug,
and though his
sympathy shows
in participating in
the Viagra trials



In the U.S. communities that dot the border, Viagra fever has become a cottage industry

Erickson adds, pay by credit card. The price for a five-pill prescription, including shipping, between \$95 and \$300.

There is nothing illegal about Canadians buying nonapproved prescription drugs in the United States, as long as they are only for personal use. But for Canadian doctors, the ethics of prescribing Viagra are fuzzy. Some will not do it. Dr. Thomas Erickson, a urologist in Washington, D.C., says he gets 30 or 40 patients asking for Viagra every day, and he refers most of them to a physician in nearby Detroit. "I probably refer six or eight a week to this urologist, and I'm not the only one sending guys over there," Erickson says. "We have to provide access to the drug somehow, because patients have just demanded it."

Other physicians say the best way to ensure their patients are properly monitored while on Viagra is to write the prescription themselves. But with the high demand for Viagra, some doctors are worried that it will be misprescribed—an especially serious problem in cases where erectile dysfunction is the result of a more grave condition such as diabetes or a primary gland tumor. "The hype could contribute to this," says Toronto endocrinologist Dr. Jonell Bass, medical director of Toronto's British Institute for Men. "Patients will demand it and doctors will say what the heck? They'll write the prescription for Viagra, but it might be missing some underlying pathology, even if it works."

Another concern: some doctors may not have all the information they need, because Canada has prohibited pharmaceutical manufacturers from distributing information about a nonapproved drug. Viagra is still considered experimental in Canada, and if something goes wrong, doctors who prescribe it could be open to legal action. The College of Physicians and Surgeons of Ontario is advising doc-

tors to exercise caution—and consult their lawyers—before prescribing Viagra. "What if someone has an adverse reaction?" says CTSO spokeswoman Jill Hefley. "Physicians need to know what their responsibilities are."

Those concerns were thrown into new light earlier this month with reports that six men in the United States died while on the drug. In response, FDA authorities said it was unclear whether Viagra had anything to do with the deaths. Pfizer, meanwhile, reiterated the warning that the drug not be prescribed to men taking nitrates such as nitroglycerin. Other observers pointed out that men suffering from erectile dysfunction tend to be older and six deaths among a million users may not be significant.

But they were enough to make at least one Canadian sufferer think twice. Rick, a 43-year-old sublogically computer specialist from eastern Quebec, was all set to order Viagra over the Internet. (A handful of ethically questionable Web sites cater to the non-U.S. market, offering customers "on-line" medical consultations and drug prescriptions.) Now, he is reconsidering. "There have been FDA black-box letters," says Rick, who has been using injection therapy about three times a week for the past two years, with few complaints. "I'm kind of glad other people are trying Viagra now before me."

Since its U.S. release, dissenting voices about Viagra have been rare. But recently, a handful of doctors and other experts—many of them female—have begun to question its long-term implications. For years, therapists have been preaching that there is more to healthy sex than penetration, that intimacy, touching and feelings are the important things. But much of the fever over Viagra—and its emphasis on the primacy of a hard penis—runs counter to that message. "Viagra's going to be great for a lot of people," says Sue McGarrick of the Ottawa Sex Therapy Clinic. "But the issue has always been that sex has less to do with the mind, repeat-as-necessary than with what's going on between the ears."

Traditionally, women have been more concerned than men with the emotional and psychological aspects of intimacy. And Viagra raises the spectre of a man who wants penetrative sex—and is determined to get

Manet, *Oil on Canvas, 1882.*



Chrysler, Lightweight Aluminum on Asphalt, 1999.



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THE TAX WARS

Pressure on governments to cut rates is rising

BY MARY JANIGAN

In a clear sign, U.S. recruiters have broken through the voice-and system of the software programming firm to obtain additional members, gleefully accepted pilfered phone lists from a frustrated employee and approached nearly every staff member with job offers. An exasperated Ian Field, co-founder and major shareholder of Vancouver-based Berra Systems Consultants Inc., says that two and a half years ago, even skilled programming jobs to his secretary—and she does not know how to program. He is now losing technical staff members in his Vancouver office at an annual rate of 25 per cent; almost one-third of those are accepting lucrative positions at other U.S. firms. The "brain drain" is no idle chat, at one point, fully half of the employees in his home Los Angeles office were Canadians who had migrated to Canada.

And every day he asks himself why? There is the attraction of a warmer climate south of the border—and the adrenalin-rising challenge of competing in a bigger market. But Field has concluded that the "biggest single difference" is the prospect of lower taxes. Much lower taxes. That, he says, has become a lightning rod issue for firms and for people. I don't think Canadians realize the damage that the brain drain is doing. Demand has never been as high relative to the availability of people. So not only are we hurting ourselves, we are making a tough business situation much worse."

In the new, edgy world of the late 1990s, tax revolutions do not wave signs or post protests, they simply occur. As borders become more porous, as companies, especially high-tech firms, become more portable, and as skilled people become ever more valuable, Ottawa and the provinces are coming under ever-increasing political and economic pressure to lower their tax rates. Politician Michael Macaulay, chairman of POLUSA, Inc. of Toronto, told Maclean's middle-class concern about high taxes has risen to almost unprecedented levels. "The middle class is saying, 'We are overtaxed. We have been patient. We are being hit pretty hard here and we would like a break,'" says Macaulay, who is also the federal Taxpayers' Federation's president. Meanwhile, provinces are competing with one another—and with adjoining U.S. states—to attract and keep

thriving companies and gifted workers. "A lot of the new jobs we are competing for, whether it's high-tech research and development, move very easily," Ontario Premier Mike Harris told Maclean's. "We wanted to be as competitive as we could with other jurisdictions. That recognizes a global economy." As a result, on July 1, Ontario will lower its basic personal income tax rate to 40.5 per cent of federal tax—the lowest in the nation. "If the federal government wants the rest of the country to lose this kind of job growth we are getting," adds Harris, "it should get on the bandwagon."

It is a fierce, and occasionally losing, campaign. As Toronto-based brokerage firm Nisbett Burns Inc. has lately noted in a recent report, one-quarter of all Canadian doctoral students—

the "best and brightest"—now leave Canada within two years of graduation. The outflow of engineers, computer scientists, doctors and professors throughout the early 1990s, alone was staggering. Nisbett Burns puts a large chunk of the blame on the "income gap" between the Canadian and U.S. household tax burdens. And middle-class taxpayers, who have watched passively while governments are rewarded with their fiscal deficits, are now demanding payoffs for their efforts. "We can't sustain the kind of tax system that we have today without utilizing our opportunities for economic growth and job creation," says University of Toronto economist Jerk Mintz, who just completed an in-depth study of federal corporate taxation. "The world is getting smaller. You cannot just tax sectors or people to death and think that nothing will happen." The problem, of course, is that not all provinces are equally wealthy—or have managed their finances with equal skill.

As a result, although all governments have balanced their budgets or are on the brink of balancing them, some are far more laced with debt than others. Provinces such as Newfoundland or Quebec, for example, may be unable to deliver much lower taxes—because increased charges are consuming two-thirds of their revenues. Fewer provinces can even look at that fiscal situation and decide to live in a province that is better able to afford reducing tax relief.

A difficult chain of events could ensue. As an economic prospects grow increasingly grim, a distressed province may make tax cuts that it can barely afford, putting pressure on its social programs. If there is an economic downturn or if wealthy provinces make further tax cuts, that poorer province will be torn by competing needs: it must pay the interest on its debt, maintain competitive tax rates and provide social services to its citizens. Meanwhile, wealthier

provinces are also faced with a choice. "The lowest tax rate in the world is not enough—because it is not just the tax cut," argues Harris, who recently put more money into education and health care after voters complained that he was funding tax relief through service cutbacks. "Citizens and employees like most quality of life: health care, education, clean environment. It is a balance in everything."

Many politicians are concerned, however, that it will be easier for some provinces to find that balance than others. David Perry, senior research associate at the Canadian Tax Foundation, notes that social programs have gradually deteriorated across the board after a decade of deficit-savoured cuts. "The question since how long will people accept the gradual erosion of government services?" he asks. "Will these problems eventually defect pressure away from us?" That trade-off revolves around the untested question as to what the role of government should be. It isn't going to be a quiet couple of years.

The growing public focus on taxes is fuelled by some startling statistics. Canada's overall tax burden—including federal and provincial income taxes, sales taxes, corporate taxes, social security and property taxes—is about average among the 20 Western industrial nations who are members of the Organisation for Economic Co-operation and Development—but it is well above that of Canada's largest trading partners: the United States. It was about 10 percentage points higher in 1995, the last year for which figures are available—although Perry notes that the disadvantage declines at least a couple of percentage points when the benefits of Canada's national health-care system are weighed against those of U.S. private systems.

But the weight of Canada's personal income taxes—federal and provincial—is the heaviest of all Group of Seven industrial nations—and it is exceeded by only a handful of OECD nations, such as Belgium and Denmark. Worse, there are problems that cry out for immediate tax reform: taxpayers who earn about \$30,000 a year drop tax rates; those who earn more than \$100,000 a year pay the highest rates. The Chabli Tax Credit to the Goods and Services Tax credit just below that income level. As a result, those taxpayers could pay rates as high as 65 per cent on every dollar they earn over approximately \$25,000—which could discourage income to work.

Vancouver's Diana Barkley, winner of the 1995 Best of the Best award—because almost 50 per cent of her salary has evaporated. A partner in the public relations firm Barkley-Groby Communications Group Inc., she worries about the correlation between high rates—and the loss of talented graduates from Canada's taxpayer-suffering universities. "Especially our young people," she says. "We get them all educated and trained and our southern neighbour's taxes are lower on the door." The 40th Barkley, who is single, says resolutely that she doesn't see herself moving. "I'm a Canadian—I will always be a Canadian." But then she pauses, and qualifies that statement. "Right now," she says. "Just at the present point of prices, you look at what you're doing and what you're earning and what you're taking home and you start asking those questions. Sure, everyone thinks I care a good night—but not just about my own money. After decades of static stagnation, middle and upper-middle income earners are chafing under the brutal combination of high taxes and skimping



Weeks to work: "You look at your tax slip at the end of the year and say, where did it go?"

THE BRAIN DRAIN



THE 'OUCH' FACTOR



services. Pollster Maritz told Maclean's that an appreciation of 45 per cent of the 1,200 respondents in his regular quarterly survey in early May and they were very concerned about the level of taxation—as opposed to 49 per cent at the same time last year. The issue has catapulted unexpectedly from a relatively low-level problem into second place among Canadians' concerns, just below worries about the quality of health care. More important, middle-income taxpayers are the most distressed: 85 per cent of those earning \$45,000 to \$54,000 and 56 per cent of those earning \$55,000 to \$64,000 are very concerned about taxes. "Those are the ones that governments should watch," warns Maritz.

Tax revolters no longer wave signs—they move

It is not hard to see why Royal Bank of Canada data indicate that, on a per capita basis, real personal disposable income, after income and social insurance taxes, has fallen for almost 1990 levels. At the start of this decade, that figure was \$17,256.66; this year, it is merely \$15,286.72. And with the turn of the century it will fall behind 1990 levels at \$15,144.42. Canadians have simply gotten poorer.

It is equally easy to see why the hard-pressed middle class has become particularly impatient. Last February, when the federal government finally broke its books, it cut taxes by almost \$680 million in 1996-1997—but the bulk of the benefit this year went to low- and lower-middle-income Canadians. "The people who moved out in the last federal budget are starting to come after us," retorts a senior Liberal.

That includes people like Vancouver's Brenda Clark, owner of Direct Results Marketing Ltd., a small retail marketing firm. Provincial income taxes in every province except Quebec—which has its own personal income tax system—are calculated as a percentage of the federal tax that each taxpayer pays. And British Columbia's surtaxes ensure that its take from higher-income earners is the steepest in the country. The 40-year-old mother of a 21-year-old son must pay \$4.2 per cent of any income above \$20,000 to the federal and provincial governments. And she is facing "servicing to get ahead, just doesn't get you anywhere," she says. "The more I grow, the take-home doesn't change; the taxes just go up. It's becoming more and more difficult to find good people—you can't find anyone foolish enough to move here." Clark has family in the United States—and she, like others she can easily qualify as a U.S. immigrant. But the

money that she has netted up in her business holds her—for now. "Given the right state," she says firmly, "I would cross that border so fast I would make your head spin."

The move is under way to placate such voters. In their 1996 budgets, six provinces—British Columbia, the three Prairie provinces, Ontario and New Brunswick—announced plans to lower their personal income taxes, either this year or at the beginning of next year. (British Columbia also pledged to reduce its surtax in 1996, but the so-called real rate on high-income earners is to 49.9 per cent over the next three years.)

Interprovincial competition is keen. Quebec lowered its personal income taxes last



Bob Minto, the administrator of Ontario

January, partly in response to neighboring Ontario's aggressive cuts. Many provinces have studied their 1996 budgets with charts and spreadsheets comparing their tax revenues and cost of living with those of their fellow provinces. Saskatchewan's finance committee and household changes in Saskatchewan with those in nine other Canadian cities. New Brunswick chronicles why St. John's is the "most cost-effective business city in North America and Europe." Dan Goy, president of the Halifax-based Atlantic Institute for Market Studies, notes that no sensible person or company would base his decision solely on tax rates when considering where to locate. "But taxes are perhaps disproportionately more important than any other cost," he says, "because they are biggest, they are up front and they get up your nose."

With the highest basic income tax rates in the nation, measured from a staggering 69 per cent of federal tax in Newfoundland to 57.5 per cent in Nova Scotia, Atlantic Canadians are the most distressed about the level of taxation. POLLARA reports that 73 per cent are very concerned—compared with 63 per cent in British Columbia, 61 per cent in the Prairies, 57 per cent in Ontario and 49 per cent

BRACING FOR BATTLE OVER EI

The Employment Insurance fund has been Finance Minister Paul Martin's not-so-secret weapon in the fight against the deficit. But lately, it is being turned against him. In 1994, when the economy rebounded, EI premiums have paid in far faster than benefits have been paid out—netting Martin surpluses of several billion dollars each year to count against his annual fiscal shortfalls. Now, the deficit is gone, but those EI windfalls have nothing to do for the first five months of this year, the program has \$2.9 billion in the black. No wonder Martin is coming under increasing pressure to bring revenues into line with benefits by reducing the EI payroll deduction.

So far, he is resisting—but Ottawa is bracing for what could be the toughest scrap in the wider battle over which taxes to cut and by how much. The crunch will come next fall, when the government must set the EI premium rate for 1999. Working Canadians now pay \$2.70 for every \$100 of insurable earnings, and Martin's preference is to hold premiums at that level—every 10-cent cut in the rate costs the government about \$700 million. Martin's strategists are convinced Canadians pay much more attention to the income tax bill they filly apiece a year than to EI premiums, and that an income tax cut would pay more political dividends.

But the real issue is less obvious, though formidable, coalition of business, opposition politicians, provincial governments and—at least sometimes—unions. Business lobbyists call the EI program a "tax on jobs," and have been pushing for a premium in the \$2.60 to \$2.80 range for workers. (Employers pay an EI premium set at 1.4 times the worker's take—currently \$3.78 for every \$100 in payroll.) But labor's view is more ambivalent: the Canadian Labour Congress's priority is to apply the fund's surplus to more pension 11 benefits, although the CLC has said it wants to cut the premium to about \$2.10. The rub is whether unions and business can move closer to a common rate demanded by next fall. Such an alliance, together with sniping from political opponents, could force Ottawa to give up a big slice of its so-called fiscal dividend to an EI premium cut.

JONN GEEDS in Ottawa



Paul Martin's office at an annual rate of 20 per cent

in Quebec. Newly retired Patrick Bédard, a former Marine Atlantic electrician in Port Aux Basques, Nfld., ruefully admits that tax rates are a factor as he ponders his future. The 40-year-old Newfoundlander, his wife and their 11-year-old son are relying, the advantages of moving to Ontario, British Columbia or Nova Scotia. "I kind of realize it's not realistic that over 50 per cent of every dollar goes to taxes," he says, calculating that more than half of his family's income of \$48,000 goes to sales and income taxes. "With the economy turning around, it would be nice if the federal government would give middle-income people a better break."

Some provinces are better able to afford that break than others. Alberta and Saskatchewan, which recently tackled their annual deficits in the mid-1990s, have since paid down their debts—and reduced their interest costs. The NDP government of Saskatchewan balanced its budget in 1994-1995—and it has lowered its debt from 1991, 51 per cent of the size of the gross domestic product, to 26.2 per cent in 1995. With the debt on a steadily downward track, the province is boosting health and education spending—and it is cutting its basic income tax rate to 49 per cent of federal tax on July 1. As Finance Minister Elinor Clark says, "It's not a happy birthday to have a slice to the bottom. We have to lower our debt—lower taxes will come on a gradual, sustainable way."

Other governments face less enviable circumstances. Newfoundland's 1996-1997 deficit is \$410 million—and its debt of \$4.8 billion is 84 per cent of the size of its economy. Quebec's current deficit is \$1.1 billion—and its debt of \$80 billion is about 60 per cent of its GDP. Although Nova Scotia has balanced its books, its overstated debt of \$5.1 billion leaves it more than two top provincial levels—at 43 per cent of GDP. With high taxes for interest payments—Newfoundland, for one, must devote 16 per cent of its spending to debt charges—it is unlikely that those provinces can match Ontario's cuts in the near future.

The strain on their taxpayers is showing. In 1993, Cape Breton's Joan Verstra, 39, opened a home-based company, Palms Atlantic, employing three African women to develop educational CD-ROMs on African life. She says that becoming an employer has been an education in itself. "The spread of taxes that we have to take off people's wages is embarrassing," she says. "You think you're paying

things a decent wage and you find out what they are actually taking home. You look at your tax slip at the end of the year and say 'Where did it go?' Well, I know where it went into the government's pocket."

With costs down, its deficit conquered and revenues increasing, Ontario has more funds at its disposal than the so-called fiscal dividend. The problem, however, is its debt. \$98 billion—more than 60 per cent of the size of the entire Canadian economy. Interest costs still consume 30 cents of every revenue dollar. John McCollins, chief economist at the Royal Bank, figures that the fiscal dividend will hit only \$11 billion in 2005-2006, gradually rising to \$28.5 billion in 2006-2007. That money has already been allocated: half for new social and economic spending, half for debt reduction and tax cuts. "While \$11 billion sounds like a lot of money, it is only about 13 per cent of projected revenues from personal income tax," warns McCollins. "So even if the government wanted to devote the whole dividend to a general income tax cut, which it doesn't, the best that it could

manage would be a 13-per-cent cut in the rate of income tax."

The beleaguered federal finance minister, Paul Martin, is even kinder. "We want to cut taxes as fast as we can to put more money into the pockets of Canadians," he says candidly. "But Paul Martin's interest is a much better place to start than the labor-led—and the federal government's balance sheet is the one that has the greatest influence on interest rates." Martin says that big tax cuts would spark fears that Ottawa is ignoring its breathtakingly high debt. That, in turn, would drive up interest rates. "We don't want to get taxes down if the net result is that the average Canadian's mortgage rate is going to go up," he warns, "or the business they work for isn't going to be able to afford its interest costs."

The finance minister also acknowledges that the disparity between richer and poorer provinces will likely widen over the next decade—as wealthier provinces regularly trim their tax rates. Although federal equalization payments tie to provincial government spending, they will not bridge it. (According to the bysionist formula, payments to poorer provinces decline as wealthier provinces cut their tax rates—although that decrease is somewhat moderated if economic growth in the wealthier provinces exceeds growth in the poorer provinces.) The answer lies in finding ways to increase economic activity in Atlantic Canada, says Martin.

In the end, perhaps Canada's best hope lies in the fact that all governments are gradually getting control of their fiscal situations. As a result, says Perry, the steps to end inter-provincial tax wars. Ottawa and the provinces are now in the same boat: the high taxes affecting taxpayers who earn about \$38,000. They could eliminate why Canadian property taxes are the highest among all OECD nations. Because governments are moving into the black, they could give up enough revenue to ensure that everyone pays. "That levels taxes down rather than up," says Perry. "That's the ideal way." The only problem, of course, is that when governments can actually level down as fast as their competitors, they stay still too.

With JOCKEY ARKUNOV in Montreal, N.S., and CHRIS WOOD in Vancouver



THE PROVINCIAL RECORD

Deficits will soon be gone—but debt-loads vary widely

With the exception of Nova Scotia, every province has tabled its 1998-1999 budget. *Maclean's* Contributing Editor Mary Jurgens summarizes each government's assessment of its prospects.

British Columbia: Bolstered by the Asian crisis and downturns in the forestry and mining sectors, the province is saddled with a 1998-1999 deficit of \$65 million. Yet its net public debt of \$22.8 billion remains the second-lowest in Canada in relation to the size of its economy. On Jan. 1, 1999, Premier Glen Clark's NDP government will lower personal income tax rates to 40.5 per cent of basic level tax from 50.5 per cent. And it predicts that it will balance its books in 1999-2000. "Finance Minister Joy MacPhail deserves credit for introducing some selected tax cuts," noted Jack Haineyson, vice-president of the Business Council of British Columbia. "But the hard reality is that the budget will do little to stimulate British Columbia's ailing economy in 1998."

Alberta: Even though oil and gas prices have dropped from 1997 levels, Albertans have scarcely noticed their economy is thriving. The deficit disappeared in the mid 1990s. The size of the provincial debt of \$14 billion in relation to the size of the economy is the lowest in Canada. Personal income tax rates dropped to 54 per cent last January from 45.5 per cent of basic federal tax. As Treasurer Stedwell Day proudly proclaimed: "The only way taxes will go in Alberta is down."

Saskatchewan: Although the province was periodically close to bankruptcy in the early 1990s, it has become a blue-ribbon fiscal success story. For the fifth consecutive year, the books are in the black. On July 1, the personal income tax rate will drop to 46 per cent of basic federal tax from 50 per cent. And over the next four years, the province expects to put \$700 million towards its outstanding \$6.9-billion debt, bringing it down to 31 per cent of GDP. Renowned Finance Minister Eric Klein: "Together, we turned the province's fortunes around."

Manitoba: In 1995, Manitoba tabled its first balanced budget in 22 years—and the province is reaping the benefits. On July 1, personal income tax rates will fall from 52 per cent of basic federal tax to 51 per cent; on Jan. 1, 1999, they will drop another percentage point. The 1998-1999 surplus is an estimated \$23 million. And Finance Minister Eric Starkson is putting \$126 million towards the debt, lowering it to \$6.6 billion or 22 per cent of GDP in 1998-1999.

Ontario: Two years ago, amid great controversy, Finance Minister Brian Eves implemented the first stage of a 30-per-cent cut in provincial taxes, even though the 1995-1996 deficit was \$8.8 billion. The final stage of that cut occurs on July 1, pegging personal income tax rates to 40.5 per cent of basic federal tax. This year's deficit is an estimated \$4.2 billion—and, officially, the books will not balance until 2000-2001. But Eves's gamble may pay off: A debt of \$10 billion has vanished in just over 38 per cent of GDP—and the red ink may disappear a year ahead of schedule.

Quebec: In a determined effort, the province has pared its deficit from almost \$9 billion in the mid-1990s to an estimated \$3.1 billion in 1998-1999. The books are expected to balance in 1999-2000. But public debt levels—\$82 billion for 1998-1999—remain relatively high at more than 43 per cent of GDP. As a result, Finance Minister Bernard Landry trimmied only \$200 million from the household tax burden in 1995. But, he said, "the government is underwriting, once it has eliminated the deficit, to ensure that most of its leeway is used to reduce the tax burden."

New Brunswick: The province is made reasonably proud notwithstanding consecutive balanced budgets: the estimated 1998-1999 surplus is \$18.5 million. Net debt of \$5.4 billion is declining to 22 per cent of GDP over 1998-1999. And Finance Minister Edmund Blanchard reduced personal income tax rates from 63 per cent of basic federal tax to 61 per cent—with a further reduction to 57 per cent scheduled on Jan. 1, 1999. "There is no question of the government's resolve to live within its means," he added.

Nova Scotia: Premier Russell MacLellan declined to table a budget before the March 24 election. Now, as the leader of a fragile minority government, he may be hard-pressed to hold his own. In an effort to balance the books for a 44th year, the 1995-1996 surplus is forecast to be a slim \$1 million—which represents a significant improvement on the hefty \$84.7-million deficit the Liberals inherited when they took office in 1980. But debt levels are high: 63 per cent of GDP or \$8.4 billion. And personal income tax rates are at 52.5 per cent of basic federal tax. If the budget is not balanced when it is tabled in June, MacLellan's Liberals could face defeat in the long run—and the NDP could form the government for the first time in provincial history.

Prince Edward Island: The province's debt has fallen sharply since the mid-1990s to an estimated \$3.4 billion in 1998-1999. It is expected to disappear next year. But debt of \$1 billion remains high: 36 per cent of GDP. As a result, Treasurer Patricia MacIsaac was forced to put the best possible spin on the fact that she did not touch the province's income tax rate of 66 per cent: "I am pleased to report that this budget does not contain any tax increases."

Newfoundland: The estimated 1998-1999 deficit is \$10 million and the province confidently expects to balance its books in the following year. The debt is \$4.6 billion, 44 per cent of GDP, down from a breathtaking high of 56 per cent in the mid 1990s. But personal income tax rates remain a whopping 69 per cent of basic federal tax—because benefits from such resource projects as the nickel deposit at Voisey's Bay will not have a significant effect on revenues for several years. As Finance Minister Paul Dicks proudly noted: "We recognize that Newfoundland and Labrador is one of the highest taxed jurisdictions in North America. This must change."

With BRIAN BINGHAM as stylist



BRITISH COLUMBIA (NON-METRO) DEALER OF EXCELLENCE AWARD WINNER

Neil W. Kalawsky

We proudly salute the Madeira's 1998 British Columbia Dealer of Excellence Award winner, Mr. Neil W. Kalawsky, president and general manager of Kalawsky Porsche Buick GMC (1989) Ltd. in Coquitlam, B.C.

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Maclean's
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MAKER OF EXCELLENCE

Answering the call

BY JOHN GEDDES and STEPHANIE NOLEN

Three young naval officers turned up for training at Canadian Forces Base Borden last week, the crosses in their blue shirts made sharp despite the hot sun. The first thing on their agenda was sexual harassment training—with Borden staff passing out copies of the latest issues of *Maclean's*, detailing reports of sexual abuse in the military. "This is the first thing we talked about," one of the officers said. From the highest offices of the Canadian Forces in Ottawa, to the bars and air mail isolated bases, the topic of the treatment of female soldiers topped the discussions. And even as many members of the military said that the allegations of rampant sexual assault and harassment were overblown, other women stepped forward—to tell their stories. Among them was one former air defence technician who says she was raped by another soldier in 1993. "I used to encourage the Forces to people," she says. "Now I'm not so sure. I'm not sure they are going to change."

As rank and file soldiers argued over the seriousness of the

The military responds to allegations of sexual abuse

Forces' sexual assault problem, their top general debated the same issue with his own conscience. In an interview with *Maclean's*, Bartl said he is still not sure what to make of the allegations. While he hopes the media scrutiny will prompt more victims to come forward, he also said he resents the fact that suspicion has been cast on every man in a Canadian Forces uniform. The general worried as well about the impact of the allegations on morale—especially at a time when Canada's military was only beginning to recover from the bittering its reputation took during the Somalia affair. But Bartl spoke optimistically about the possibility of clearing the air. The positive thing, he said, is that some women may now decide, "To hell with this—I'm going to speak out."

Bartl's plea on May 15 for victims to call him, or to tell their stories to social workers, chaplains or medical officers on their bases, has already been taken up by some women. As of the end of last week, seven had contacted his office, while another seven had called the special toll-free hotline. "These cases are now being reviewed," a toll-free service spoke to *Maclean's*; some of them also turned to the military with their stories. And just how vigor-

Automotive Marketplace

Dear automotive consumers,

We sincerely hope that you will enjoy this first edition of "The Automotive Marketplace," a new, ongoing series of supplements in *Maclean's* magazine that will provide consumers with authoritative information on the automotive industry. Each supplement will feature a regular editorial by respected automotive consultant Dennis DesRosiers. Automotive experts representing the provincial automotive dealer associations will provide valuable information and advice for prospective car buyers.

In addition to the informative editorial, there is an opportunity to review the latest "hot" offers from various automotive dealer groups in your neighborhood.

Buying a new car can mean a lot of legwork. For those in the market for a new car, *Maclean's Automotive Marketplace* will save a lot of time, energy and money. Let *Maclean's* put you in the driver's seat.

Dennis DesRosiers



Dennis DesRosiers is President of Dominion Automotive Consultants (DAC) Inc., Canada's leading automotive sector consulting firm, and the only strategic consulting group in the country focusing exclusively on automotive issues. His analyses of industry develop-

ments are widely quoted in the news media, where he has gained a wide reputation for his candor as well as his breadth and depth of industry knowledge.

DAC's clients include automotive companies from along the full length of the supply chain (raw material suppliers to vehicle assemblers to aftermarket distributors) as well as government departments and agencies at all levels, industry associations, financial institutions, advertising agencies, and real estate developers.

Specific services provided by DesRosiers Automotive Consultants include strategic consulting, consumer market research, and automotive information services. DesRosiers developed

the Canadian Vehicles In Operation Census (CVIDC), which annually gathers information on all 13.5 million light vehicles registered in Canada. He also developed the Light Vehicle Study (LVS) which since 1989 has annually monitored the purchasing habits of 2,500 vehicle owners. He is also the publisher of *Dominion Automotive Reports*, a semi-monthly newsletter targeted at automotive industry executives.

Dennis DesRosiers has accumulated more than 20 years' experience as an automotive analyst. Prior to founding DAC in 1983, he served for six years as Director of Research for the Automotive Parts Manufacturers' Association between 1973 and 1979; he was employed by the Ontario Ministry of Industry and Trade, first as an economist with special responsibility for the automotive industry, and later as senior auto industry analyst.

A native of Windsor, Ont., DesRosiers grew up in an environment dominated by the automotive industry. He is a graduate of the University of Windsor with a degree in economics and business.

Automotive Marketplace LEASING VS. BUYING A NEW VEHICLE

After the largest downturn in vehicle sales on record (seven years), consumers exploded back into dealer showrooms during 1997 and prospects continue to look good for 1998. A key reason consumers are purchasing new vehicles again is the attraction of the low monthly payments associated with leasing new vehicles.

Leasing is a recent phenomenon in the automotive industry. In 1990, only five per cent of consumers leased their new vehicle. Last year this figure was close to 50 per cent.

What is a lease? Is leasing better than buying? As a consumer what should I look for? Answering these questions in "plain language" is quite difficult since leasing is a relatively complex method of financing a vehicle and even has its own language. (See index of terms.)

What is a lease? Leasing is a way of

obtaining a vehicle for a specific period of time. Most leases are for four years, but two, three and five-year leases are also available. A consumer does not own the vehicle and does not build up any "equity" with a lease.

When a consumer takes out a loan on a vehicle, he or she pays for the entire cost including taxes, plus interest, over the term of the loan. Leasing, on the other hand, involves paying for only the depreciation of the asset over the term of the lease and interest on the declining balance of the capital cost of the vehicle, minus monthly depreciation. In many respects a lease is simply a loan that does not amortize to zero.

Monthly lease payments on a given vehicle are therefore lower than loan payments, assuming similar down payments and interest rates. Leasing, then, appeals to consumers from the standpoint of

short-term cash flow. Consumers who purchase their vehicle with a loan, pay a higher monthly payment but at the end of the loan they own their vehicle. At the end of a lease, the consumer does not own the vehicle and has to lease again in order to drive a vehicle. Leasing is thus often referred to as "a monthly payment for life."

Leasing, however, is not for everyone. The least expensive way to obtain a vehicle is always to pay cash. If you cannot pay cash then the shortest borrowing term available to you will result in the lowest interest cost or carrying cost. The faster you repay what you have borrowed, the lower your carrying costs. Carrying costs for a lease are higher than with a loan of the same term because you are only paying off the depreciation, and not repaying the entire value of the vehicle.

1998 DODGE/PLYMOUTH NEON

In a dull category, Neon outshines them all.

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Its "Bright Light, Big City" personality has won the hearts of young buyers across the country. And we wonder. Because the features that make Neon the ultimate first car are the very same features that make Neon the ideal second car.

Carloving? OK, let's start with the myth that first-time car buyers look for: a car that's practical, economical, solid and safe. Nothing wrong with that. Enter Neon. Despite its sporty styling, Neon is extremely high on the scale of practicality, economy, solidity and safety. But it also comes with the kind of drive-friendly features you don't expect in a "practical" car.

For starters, Chrysler's revolutionary cab-forward design gives Neon its sleek styling and surprisingly spacious interior. In fact, the Neon Coupe boasts the most interior space in its class.

But Neon's drive-friendly features don't stop there. Chrysler engineers designed Neon for the road, giving it a wide, corner-hugging stance, responsive 4-wheel independent suspension and the most powerful engine in its class—delivering the kick of 130 horses. Ladies and gentlemen, start your engines!

On a more practical level, the 1998 Neon offers more value than ever. More quiet. More fuel economy. More safety, including dynamic side impact protection and Chrysler's "next generation" steel and bond passengers on legs. And there are more point features to these than the Candy Apple Red, Champagne and Deep Cranberry.

Available in Regalia, Highway and Sport, the 1998 Neon, coupe or sedan, gives you the best of both worlds: a practical car that glows in the dark.

For more information on the Neon, please call 1 800 361 3700,
or visit our website at www.chryslercanada.ca

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Robert K. (Bob) Pomeroy
C.E.O. CADA/INDA

For example, if the residual value in your lease is \$8,000, and the leasing company can only sell the vehicle for \$7,500, you will have to pay \$500. If the vehicle is sold for \$8,500, the leasing company will pay you \$500.

I personally do not like open-end leases since consumers are essentially gambling on what the value of their vehicle will be at lease end. Used car values are set by complex market forces, which can change radically. Consumers are better served by leasing sophisticated finance companies deal with end-of-lease vehicle prices and should only consider a closed-end lease (Note, about 90 per cent of leases are the closed-end type).

Before you lease or buy, you need to answer a number of questions:

1. Can I afford to pay cash or the monthly payments of a loan?
If not, then leasing may be an option. But remember, paying cash or short-term borrowing is always cheaper than a lease.
2. Do I typically keep my vehicle for more than five years?
If so, then leasing is likely not a good idea unless you just cannot afford the monthly loan payment.
3. Do I drive a lot?
Most consumers in Canada drive 20,000-25,000 km per year. If you drive a lot more than this, then leasing can get quite expensive.
4. Will the vehicle dealer provide me with a "full disclosure lease"?
If not, then go somewhere else. The industry has coated tough but fair disclosure guidelines to protect consumers. Take advantage of them.

Remember there is nothing wrong with leasing. Leasing is just a different and more complex method of financing a vehicle. As with all major purchases, consumers should take their time and shop around, get as much information about their purchase as possible and understand the "money" aspect of acquiring their vehicle. The vast majority of vehicle dealers are reputable and can help you with your decision.

INDEX OF TERMS

Acquisition Fee:

This fee covers the cost of preparing and servicing your lease. If charged, this fee increases the carrying costs and must be included in the Total Lease Charges.

Amount to be Amortized:

This is the difference between the Net Leased Vehicle Amount and the Residual Value and represents the depreciation you pay over the term of your lease.

Annual Percentage Rate:

The Total Lease Charges expressed as an annual rate.

Default:

Default occurs when you fail to comply with any terms of the lease. Your lease will set out the specific circumstances, which will result in you being in default.

Depreciation:

This is the loss in the vehicle's value that occurs over time. The longer you keep the vehicle, and the more you drive it, the more the vehicle will depreciate.

Excess Kilometre Charge:

This is the cost you face if you drive your vehicle more kilometres than the maximum stated on your lease. This

charge is set out as a number of cents for each kilometre over the stated maximum, plus applicable taxes.

Excess Wear and Tear:

Every vehicle will experience normal wear and tear from every day use. Excess wear and tear is over and above expected normal amount. Your lease agreement should describe what excess means.

Examples of excess wear and tear include:

- Bald or Mis-Matched Tires
- Body Damage
- Missing Parts of Interior Rips & Tears

Lease Term:

This is the number of months that your lease will be in effect.

Leased Vehicle Amount:

This is the amount you and the leasing company agree on for the vehicle and any other items such as accessories, extra equipment, freight, applicable taxes (such as air conditioning tax) and pre-delivery inspection. Monthly provincial and federal/harmonized taxes are not included and will be billed separately.

Residual Value:

The residual value is, unless otherwise stated, the estimated wholesale value of your vehicle at the end of your lease.

Total Lease Charges:

The total lease charges are the total carrying costs you pay over the term of the lease. This amount is similar to the cost of borrowing charges on a loan. These charges represent a portion of your monthly lease payment, the other portion is depreciation.

Canada's Automotive Dealers Dialogue with Consumers

Are you considering a new car or truck?

Car brokers, consultants and buying clubs make a lot of promises for the membership, commission and consultant fees that you pay.
What value do you get for the fee?

THEY SAY:	WHAT WE SAY:
<ul style="list-style-type: none"> • Beats the pre-negotiated pricing 	<ul style="list-style-type: none"> • They can't negotiate the best price for your trade. • They don't include the hidden fees and commissions in their quotes. • They provide no written guarantees.
<ul style="list-style-type: none"> • You will save hundreds even thousands 	<ul style="list-style-type: none"> • There is simply not enough mark-up on new cars to justify the statement. • They cannot prove this so-called savings is off the average/normal selling price in the market.
<ul style="list-style-type: none"> • Most people have a bad experience during the buying process. 	<ul style="list-style-type: none"> • Any reputable survey rates the customer buying process at an all time high 90 per cent. • Most of our business is repeat customer business.

Drop into any CADA New car dealer and let us show you how great your next purchase or lease can be!!!!

Automotive Marketplace



Toronto Automobile Dealers' Association

The Toronto Automobile Dealers' Association has nearly 300 new car dealer members across the Greater Toronto Area. We sincerely want to make the buying process better, and over the next few months we are going to give you valuable consumer information on buying a car (lease disclaimer, service tips and related consumer information. We understand that you want value, respect and service, and we are committed to meeting your demands.

**NEW CAR DEALERS
ACROSS THE G.T.A. WANT
YOUR NEXT CAR/TRUCK
PURCHASE OR LEASE TO
BE OUTSTANDING.**

TADA
Seven ways that you can make your next car purchase more enjoyable, more informative and very rewarding:

- 1) **Prepare yourself. Read consumer guides, check the manufacturer's and dealer's annual sales. Become familiar with the products. Compare manufacturer's and dealer's models.**
- 2) **Read information thoroughly. This is a major purchase and there are many details to be considered and documented. Avoid any misinterpretation.**
- 3) **Contact the dealership in advance. Make an appointment. This prevents waiting and assures that you get the attention you deserve.**
- 4) **Allow 90 minutes for the demonstration. Get inside at least on hour to review leasing and purchase options as well as financing.**
- 5) **Take your time. Read the contract carefully and ask questions. It is a legal contract with terms and conditions to which both parties agree.**
- 6) **If you are trading in your present vehicle, make sure it is clean. Ensure that all maintenance requirements have been met and verified, if necessary.**
- 7) **Look on Sunday... say no Mondays. We are closed on Monday to allow for family time. We know you like to walk around and look at prices and models of your leisure. Come back and see us sometime next week.**

CANADA

only the new investigations are posted in in the hands of Canada's Forces Provost Marshal Col. Patricia Sisson, the blunt-spoken, 29-year Forces veteran who heads up the military police.

In an interview, Sisson said members of the military's National Investigation Service are looking into every case of sexual assault discussed in Maclean's with enough detail to allow for a follow-up, including those in which previous investigations did not lead to charges. They are also examining cases in which senior officers are alleged to have interfered with military police to save situations from prosecution. Sisson touted the NIS, set up last fall to handle serious and sensitive cases, as the key to making sure these new inquiries are beyond reproach. "We are not trying to disavow the NIS," she said, stressing that the 130 officers in the new service ultimately answer only to her—not to officers in the regular chain of command.

Last week, Sisson released a report on the activities of the military police in 1997, revealing that they had investigated 145 sexual assaults and other "sexual related incidents" during the year. The report, the first of its kind to be made public, provided a statistical profile of sexual crime in the military. It showed that 58 per cent of sexual offenders investigated by the military police were serving in the regular

Forces, with the rest divided among reservists, the cadet corps, civilians employed by the department of national defence, and others. Of the victims, however, only 15 per cent were full-time Forces members. Teenage cadets were the most frequent targets of assault, victimized in an alarming 36 per cent of the cases investigated. Civilians made up 24 per cent of the victims, military dependents 12 per cent and reservists 10 per cent, with the most rapid of DVD employees and others.

Sisson drew a contentious conclusion from her statistical overview: that the sexual assault rate is substantially lower in the military than among the rest of the population. (The overall Canadian rate of sexual assault last year was 89 incidents for every 100,000 people, will show the incidence of 64 for every 100,000 in the Forces.) In varying degrees, that has been the position put forward by military spokesmen, from Defence Minister Art Eggleton down to some of the lowest recruits. But critics say away incidents of sexual abuse in the military go unreported, because women are afraid they may not be taken seriously—or will be further victimized for speaking out in an atmosphere that punishes the claim of offence. And even those who doubt the allegations that abuse is rampant within the Forces admit that some problems cannot be ignored.

Among them are the statistics about sexual assaults involving cadets. A 1993 study by the military cadet organization—run jointly by

'SOCIETY IS ASKING US TO BE BETTER'

Chief of Defence Staff Gen. Maurice Baril spoke to Maclean's Ottawa Correspondent John Gidycz last week in his office at the Department of National Defence, Ottawa.



Baril: 'A lot of good people have been hurt'

that is what the public is expecting. Society is asking us to be better, more professional. We're a very visible national institution. When we go out of line, we do so big time. The members become irrelevant to us. Maclean's: You have asked why a woman who has been assaulted is not coming forward, even to contact you directly, and you set up a toll-free line. What has the response been?

Baril: What I have seen in my office, in terms of hard cases that were brought to us, is seven. The 1,000-line has been active and, as of May 25, it also had received seven calls. I didn't know if it was going to get a thousand calls or five or six or seven. Is looking at the numbers, I thought, "Only seven," or is it "My God, seven?" I still don't know what it means.

Maclean's: A report last week from the military police showed that cadets were the victims in about one-quarter of

military sexual assault incidents last year.

Baril: A lot of civilian cases.

Baril: We have between 55,000 and 60,000 boys and girls, between 12 and 18 years old, at which 20,000 go into summer camps. But like any large organization, like hockey or churches or Scouts, we are vulnerable. We do have sexual assault counselling and from the cases which is incredible—even if there are only six. These young men and women are given to us by their parents and they have to be safe. I shall assign some pretty harsh, clear direction—I cannot guarantee that it is going to be perfect, but I can guarantee that it is going to be the safest cadet training that we can have.

Maclean's: Now has the attitude towards women in the military changed over the course of your career?

Baril: I know what was tolerated 25 years ago. When I was a battalion commander, there were no women in my organization. I was not only allowed to have a woman who had been assaulted in my messroom. Then, I was a member of the special commission of the chief of defence staff in 1986 for integration of women as combat. Maybe they didn't know what a time they did by assigning me to the commission at that time. All the prejudice I had discovered in my life was in the light, but because of the prejudice I had, I was made clear, was profound. My reaction at that time was "If I go into a combat patrol, I'd like to be with the biggest, strongest, meanest person." I started to use the word "person" instead of "man" or "woman." So, from that time, I changed my approach.

the DND and the Army Cadet League of Canada—found at least 130 cases of reported sexual assault in the open universities during 1989 and December 1991. The study, portions of which were obtained by *Maclean's*, also noted that "it is evident that numerous incidents have not been reported to cadet headquarters. Lt-Col Gary Merritt, director of the air cadets, says all the cases listed in the study were investigated and turned over to civilian police, but that the cadet organization headquarters found the report 'shocking and disgusting' and took immediate action, implementing new reporting and abuse prevention measures. About 50,000 young people across the country are members of the cadet organization; Merritt says no study has been made since 1982 to determine whether the number of assaults has changed.

Retired major-general Lewis MacKenzie, meanwhile, stepped forward last week to reverse the allegations, made by military sources and reported in the June 1 issue of *Maclean's*, that a 1988 case of sexual assault at CFB Gagetown involving five soldiers and a woman—described by one source as "intentionally directive, but not abusive."

MacKenzie, who was the commander at Gagetown at the time of 1988, said in an interview last week that he had no recollection of any such incident. But after the allegations appeared in *Maclean's*, he said, he raised "people in low places" about it and determined that the incident had apparently been nothing more than a party. "Which over 10 years can grow disproportionately into something that it wasn't." To the best of his knowledge, MacKenzie said, five men did have sex with one woman, but it was consensual. "She called it rape," MacKenzie told *Maclean's*. "It might be irrational and unethical to you and I, but it was not illegal."

MacKenzie says he learned that the authorities got involved when photos of the incident came to the attention of military police, who started an investigation. It was leaked, he says, when the woman and her husband did not want it pursued—and because a civilian prosecutor said there was no case. Capt. Greg Lavigne, in charge of base security at Gagetown in 1988 and now a teacher at the security training school at Borden, also says that the investigation ended, as far as he can remember, "because we had a lack of evidence." But he also says it was believed because of a "conspiracy"—although he says he cannot name the parties to the plot. But he said that the allegations are being investigated by the NTS.

At Borden, meanwhile, a training base that has earned a reputation as one of the worst spots for sexual assault, young female soldiers accused base officers last week for rapes of *Maclean's*. "It's worrying," one woman, "nearly shaming." All four young women and their commanders said the military leadership is committed to fixing the problem—and that they will have no more largely free of harassment. "We did it in being addressed, and they're doing OK," one of them noted.

BREAKING THE FAMILY SECRETS

Major Mary Ellen Timperon was 26 when she enlisted in the Canadian Forces in 1984. She was tough enough to brush aside suggestions by higher superior officers that sex might save her her lousy performance reviews, and she rebuffed the soldiers who got drunk and tried to climb into her bed. Instead, she became a military psychologist—aid a crusader for women. She helped establish a status-of-warrior committee and the Athens Centre for women at the Royal Military College in Kingston, Ont., did controversial research that uncovered sexual mis-

conduct, "but we've got a long way to go." According to Timperon, the military has had difficulty dealing with sexual abuse and harassment because of a reluctance to air its problems in public. "The military is an old traditional family," she notes. The prevailing ethos, she says, is that "there is nothing wrong inside this house, when you go out that door you get a smile on your face, and the problems stay in side these walls." Timperon estimates that 15 per cent of men in the Forces remain seriously opposed to having women serve in combat units, although most of them, she feels, could be persuaded through education programs. "But two per cent are not negotiable," she says. That two per cent, she adds, should be removed from the military.

Recent allegations of rape and chronic sexual harassment in the military have not surprised Timperon and her colleagues who deal with gender issues. She was at national defence headquarters in Ottawa on May 19, when the *Maclean's* story broke. "There were people jumping all over the place, but it didn't come as a shock to us," Timperon says. "We just thought, 'It's the same old same old same old.'" She was then a base commander, Col. W. R. Reid, gave her Conflict Resolution Centre a ringing endorsement by informing troops at CFB Borden they could name the chain of command and call the centre's special phone line with no reprisals or questions about abuse or harassment.

Timperon is glad to see the issues she has worked on throughout her 14-year career finally being addressed. But she remains cautious about the future. She was troubled by comments made by former defence critic Art Hanger, who, in response to the *Maclean's* reports, suggested that women did not belong in combat units. "Don't take away from us what we've struggled for for so long," Timperon says. Women have achieved a breakthrough, and with some reinforcements, they want to soldier on.

JOHN NICOL

The Forces are encouraging women to air their complaints

Helen Emswold
"I always blamed myself, because I never tried to fight back"



"But yes, we're concerned. It's all systemic in talking about."

Most male members of the Forces at Borden said the allegations came as a complete shock to them. And among female members, opinions were evenly split between women who said they had experienced some level of harassment—although nothing like the experiences recently described in *Maclean's*—and those who said they had never been troubled by sexual harassment or abuse. Some reacted angrily, saying the reports painted a vicious picture of the military and its male soldiers that is unfounded—and that they remain being perceived as abuse victims. One even said she fears the stories have jeopardized her ability to do her job. "Now, all of my male colleagues and my staff are afraid to even look at me in case they end up in some harassment case. Men I work with aren't even going to talk to me."

But new recruits continue to come forward. Thelma Hobbs-Emswold was a 19-year-old trainee army cook when, she says, she was raped by another soldier on a deserted road near Borden in 1983. She says she did not report the rape for fear that a no-sex would be better. She said and said she was not, she quit the military months later and did her best to put the rape out of her mind—until last week, "I always blamed myself, because I never tried to fight back, and I never said anything," says Hobbs-Emswold, now married and living in Cold Lake, Alta. "So Monday morning, I just picked up the phone, called the military police in Borden and said, 'I have something to report to you.'" They referred her to CFB Cold Lake, where military police called the NTS. Hobbs-Emswold also called the new 1-800 line. The next day, the NTS sent a team of officers to interview her. "It took three hours and it was rough," she says. "But they were nice, and I think they're on my side." NTS staff are now trying to track down the man who allegedly raped her, and have told her charges will be pressed if the investigation is successful.

For some women, these new investigations may be the way to heal old wounds. One former supply technician who called *Maclean's* last week said she started to confront the darkest act of her military career after she read the stories of the other women. She says she was raped four times, and forced to perform oral sex once, during the first 18 months she was in the Forces. The assaults occurred at CFB Sheswater in Dartmouth,

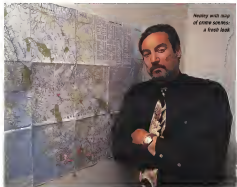
N.S., where she was sent to a 19-year-old private after basic training. "The first time, two guys were fighting over me at a party, and I thought it was a joke," she recalls. "Then one picked me up and threw me over his shoulder and I fell my head on a concrete wall and I was knocked out and I woke up in bed with him on top of me." She never reported any of the assaults. The irony of her situation, she says, is that she joined the military to flee from an abusive home—"I went out of the frying pan into the fire"—and says she now thinks she was targeted for abuse because the men around her sensed her vulnerability. Traumatized and depressed, but still keeping her secret, she finally quit the forces in December, 1984—and now intends to call Bart's hotline.

Master Col. Scott Foran called the 1-800 line last week. Foran, an army supply technician at CFB Kingston, Ont., last year successfully pressed charges against a senior non-commissioned officer. She reported harassment (comments such as the suggestion that she should spread his sperm on her face to close up acne) and an assault in which he pushed her into a desk and shoved his hands down her skirt in January 1990. In a better story, her attacker was the decorated harassment officer for her unit—the man to whom she was supposed to report such abuse. Although the assault charges against him were stayed in a court martial, he was found guilty of the charges of harassing "good order and discipline" last October. Foran, a 19-year-veteran of the military, continues to be happy with his career.

But Foran says she wants Bart's to know what the worst through to see the case, she had to wait to work with her mother, she says she was discouraged from proceeding at every turn. "I called the coronial line, and they were great, they wanted to know how they could help and what I need," she says. "They're working up now. They are going to know, this was done to me, and it was wrong, and how I suffered for the way the case was handled." Foran hopes that by forcing the military to confront her experience, she will smooth the way for other women who wish to put up with "putting this on other women," she says. "I don't want them to be alone. And I don't want them to be afraid."

PHOTO BY JOHN NICOL FOR THE STAR

Cases from the cold



Nevelly with map of crime scenes: a fresh look

BY CHRIS WOOD

An emergency operator in Vernon, 300 km northwest of Vancouver in the B.C. Interior, took the call at 7:14 p.m. on Jan. 18, 1992: a report of a house fire. By the time firemen reached the white house built on Vernon's 26th Street, the wind blew under the basement stairs and out—extrapolated by water released from a pipe that had been melted by the flames. But in place of a fire, the emergency crews found something even more dramatic: the blood-soaked body of the house's owner, 67-year-old Daniel Schneider. Outside, they found the victim's letter man in the garage. The skull had been crushed.

The gruesome discovery set off what quickly became one of the most frustrating cases in the annals of the Vernon RCMP detachment. Its eventual resolution, however, marked the first success for a joint force formed by the RCMP's E. Division, which polices most of British Columbia, and the province's largest municipal force, the Van-

couver police. Based in an understated two-story commercial office in Surrey, the provincial Unsolved Homicide Unit, like television's *Unsolved Cold Squad*, exists to take a fresh look at murder files that previous investigations have failed to solve.

A special murder squad gets the call when the trail grows faint

When its 20 members (16 of them Mounties) began work in January 1997, they faced a daunting stack of 400 unsolved suspicious deaths dating back to 1923. Struggling with the most pressing, the unit began re-examining each set of facts, often retaining crime scenes and re-interviewing wit-

nesses, and exposed old evidence to new forensic techniques. Beginning with Schneider, they have been retracing unsolved murder cases at the rate of about one a month ever since.

Within minutes of the discovery of Schneider's body in 1991, investigators had a strong lead, in the form of a distinctive red-and-white basketball cap found at the scene. One of them remembered having seen an identical cap on a man known to Vernon police for showing a

strong interest during frequent bouts of drinking. As it turned out, William Faulkner, 30 at the time, was already in custody; he had been arrested earlier that evening on an unrelated complaint. When police interviewed him, his clothes were found to be bloodstained. Faulkner said the blood was his own and denied killing Schneider. RCMP Cpl. Alex Lees did not believe the denial, but forensic tests

established only that the same type of cap in both instances and the suspect's "We could place Faulkner at the RCMP a year ago and now works as a clerk in the Vernon detachment. But, he adds, "we didn't have enough physical evidence at the time" to link him to the attack. That evidence emerged six years later, from the laboratory. Forensic researchers have spent most of the 1990s extending their ability to retrieve and analyze identifying strands of genetic material—DNA—from human remains. Work at the University of British Columbia's Bureau of Legal Dentistry, for example, has made it possible to extract DNA from a single incriminated tooth or the saliva left behind on a bite mark. Because such advances permitted to draw a more damaging story from the bloody clothing, the case became an early priority for the newly constituted squad. A new generation of tests proved that the blood on Faulkner's clothes came not only from Schneider, but from three-and-a-half days in May, 1997. Faulkner was charged with second-degree murder; four months later

CANADA FOCUS B.C.

he pleaded guilty to manslaughter and was sentenced to 10 years in prison.

Since then, charges have been laid in a dozen more deaths from as far back as 1994. A handful of additional cases have been turned over to Crown lawyers for consideration of charges. Among the cases police believe they have now solved:

- The 1977 murder of 13-year-old Carolyn Yara Lee in Port Alberni, on the west coast of Vancouver Island. 47-year-old Garth Dhillon faces a first-degree murder charge.

- The 2001 strangling of another 13-year-old, Jody Howey, in Squamish, north of Vancouver. A 49-year-old man, who cannot be identified because he was a minor at the time of the killing, is charged with first-degree murder.

- The 1997 death of toddler Jason Lovelock, ruled accidental after a controversial inquest at the time. His mother, Kathy Lovelock, 38, is now charged with manslaughter in Jason's death.

Despite a growing string of successes, the investigations of the Unsolved Homicide Unit are acutely sensitive about being described as "cold." "That's not true," asserts RCMP Cpl. Frank Hickey, designated spokesman for the generally media-shy team of veteran investigators. In most of the cases, the unit has closed no file, Hickey says, "the original investigators surfaced the suspect, they knew who was responsible. They just didn't have the information to go over the top." The special unit, he notes, has resources unavailable to local forces—who are also faced with the problem of today's murder being quickly overtaken by tomorrow's news, usually on fatal car crash. In some cases, time alone unlocks the testimony of witnesses who were too timid to speak out immediately; in other instances a toll-free line has done the same job. New information (1-877-MURDER). But about a third of the cases solved have been by forensic advances in toxicology, ballistics and even hair. Hickey insists, "You're able to go back and get DNA from the files because the original investigators had their job done."

The B.C. unit is no longer unique. Last September, the Metropolitan Toronto Police Department created its own per-petual cold case squad, and several U.S. law enforcement agencies have sent representatives to look at the Unsolved Homicide Unit's operation. It, meanwhile, has no room to rest on its laurels. Only about 80 per cent of British Columbia's 125 or so murders each year are solved by the first investigation. That leaves about 38 new cases a year for the Unsolved Homicide Unit—providing it with ample additional opportunity to put new life into the bloody old notes that the Mounties always get their cases.



LAYING 'THE BABES IN THE WOODS' TO REST

On a rainy January morning in 1953, a worker clearing brush in a remote corner of Vancouver's Stanley Park heard a strange crack as he walked over a bundle of bones. Later, he returned to the spot—and uncovered a child's skull. One of the notorious cases of "The Babes in the Wood," a murder investigation that obsessed generations of Vancouver police detectives. Now, advances in genetic science may finally allow the mystery to be solved.

The children's graves eventually yielded the bodies of two children, their skulls crushed by heavy blows. There was also a hatchet that matched the head wounds, a blue lunch box, one slight woman's shoe and a woman's fur coat that had been laid across the bodies. Left inside on the skeletons showed they had been in the ground at least three years. The children's shoes, made in Canada in 1947, indicated an even earlier burial. The forensic science of the day, noting that the older child had a more slender build than the younger, identified the victims as a boy aged about 6 and a seven-year-old girl. Since no missing persons report matched the pair, police assumed they were probably brother and sister, dead at the hands of a parent. Who else could evoke two children disappear without raising an alarm?

A public appeal for information brought

Nonexposed with evidence from the grave site, pressure history

dozens of tips and anguished queries from parents of missing children from as far afield as Australia, Venezuela and Scotland. Police vigorously followed up leads that fit the scientific assumptions, but even the most promising—like the witness who claimed to have seen a boy and girl in the park in October, 1947, accompanied by a woman carrying a hatchet—went nowhere. Eventually the victim's skull was dug up in a display in the Vancouver Police Museum, accompanied by busts modeled by an anthropologist, in hopes someone might recognize them.

When Vancouver Police Sgt. Brian Honeybourne of British Columbia's Unsolved Homicide Unit—a part of RCMP's E-division—took over the case last year, he decided to have the skulls and the children's other bones cremated. After a full funeral service aboard a police boat, Honeybourne scattered their ashes over English Bay on May 28, 1997. But before the cremation, Honeybourne asked David Sweet of the University of British Columbia's Bureau of Legal

Dentistry to examine the children's teeth.

And Sweet, a leading expert in forensic dentistry who has developed techniques for accounting DNA from teeth, overhauled the half-century-old police theory. The victims were not brother and sister, Sweet reported, but brothers. With the new information came new leads, as well as a fresh police look at 1953 reports of missing boys that went all but ignored at the time. One had come from a man who told detectives all two brothers who had disappeared in 1947 were in Vancouver, the city's dead end in the late 1940s. The witness said the boys' parents claimed they had been adopted by a North Vancouver woman.

Now those parents—who came to the West Coast from Manitoba in the postwar years—were Honeybourne's suspects. He knew their names and a confidential police file would show if or should they have died, their new relatives. The letter would be enough to satisfy Honeybourne. If police can match the victims' DNA with that of living relatives, the anonymous children can at least regain their names and history. And then, even if no one is ever prosecuted for the murders, the Babes in the Wood case can be closed at last.

ROBERT IRLAND in Vancouver

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Maclean's

Bruce Wallace



Minister for the defence

There must be times when Art Eggleton isn't in an altogether pleasant mood, but minister for the defence. Take the past week as an example. Monday brought a second Marlow's statement of allegations about sexual abuse in the ranks, triggering more questions for Eggleton about whether military culture is hostile towards women. Then, before party defence critic Art Hanger demanded the minister investigate whether peacekeeping troops were exposed to poisons during tours in Croatia—and their medical records doctored to hide the fact. The next day, Eggleton was again on his feet in the House to acknowledge that Maj. Gen. Wesley Clay, the highest-ranking woman in the Canadian military, was under investigation by military police. Hanger had alleged the probe concerned possible obstruction of justice. Almost lost in the cacophony was the release of the bad statistic that 19 soldiers committed suicide in 1997, a sharp increase over the previous year and the highest number this decade.

Who could imagine such political trouble for the defence minister of a country and as unthreatened by enemies, and whose armed forces are actually shrinking in size. "A surprise day even so to be the norm," laughed Eggleton, who was safely out of Ottawa at the end of last week. The Toronto minister can keep his good humor because, despite the theoretical political heat in the defence post, he seems to have gotten away with little more than a bad mood. Eggleton leads off his critics the same way Tory finance minister Michael Wilson used to—smothering the fire in a basket of blood. Blame never mastered the art of the stony retort. Eggleton rests comfortably in the knowledge that at least his long, unswerving, nononsense answers are not likely to get snatched out of his mouth. Even though his initial description of the Marlow's catalogue of rape in the military as "poor behavior" also demonstrates the occasional shortcoming of blandness.

But one hardly needs to be Napoleon to be Canada's minister of defence these days. No reporter stops Eggleton in the House lobby to ask how NATO expansion is going. No

one asks whether the latest UN peacekeeping mission (45 Canadian troops headed to the testing on the edge of Central African Republic last month) has an adequate mandate to prevent a war. Instead, Eggleton spends most of his time playing parent to the employees at Natural Defence: He scolds them when they're bad. He holds their hand when they feel nervous or bereft. He travels to towns to hear the troops' complaints about living conditions. And he rewards them with toys like new submersible and helicopters to show that they are still loved and needed by Canadian and their government.

Given the Canadian military's unpleasant day decade, Eggleton has little choice but to end to issues like morale, discipline and leadership. Some soldiers may matter that all the effort being put into bureaucratic programs, such as reorganizing the military justice system, "because we sometimes forget we're an army." But the reality is that the Canadian military was a sick institution, emotionally damaged by soldiers, exhausted by the strain of more and more missions while the equipment, the resources, the discipline for better leadership.

"They took a big hit at the Somalia inquiry and we needed to improve the health of the organization," says Eggleton. "If we can create a quality force, improve the quality of our people, we'll be proud of that."

That means continuing to deal with issues that are still a bit too heady for the soldiers. This month, the Forces will begin distributing a video to the troops on the lessons learned from the Somalia peacekeeping mission. Soldiers, some of them breaking down in tears, talk about the horrors they experienced and the post-traumatic stress they suffered on returning. One is Lt. Gen. Ramona Dobbins, who candidly admits he came home "wounded" and needed 10 months of therapy to recover. "I got help and I will get protected," Dal later says, pushing the message that it's OK to ask for help. That kind of attention to improving the collective psyche of the Forces, to making them fit for duty, is essential in preventing another Somalia or helping the military adapt to women in the ranks. Hardly sensational stuff. Just like the minister.



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'PIT BILL' TRIUMPHS

Journalist and English rights fervent William Johnson is the new leader of Alliance Quebec, the province's main English lobby group. He narrowly defeated incumbent Consensus Middleton-Hays. Johnson's outspoken federalist views have earned him the nickname "Pit Bill."

PENSION POLITICS

Federal politicians are reviewing a proposal to request their pension plan to MPs who have opted out. The plan would also double MPs' housing allowance, to \$12,000 a year, improve severance arrangements for defeated MPs and raise salaries by two per cent in each of the next four years. Of the 48 MPs who have opted out of the pension plan, 36 are Reformers.

ENVIRONMENTAL FAILURE

Federal environment commissioner Brian Gwynett slammed the Liberal government's failure to protect wildlife and curb greenhouse gas emissions. Among the possible long-term effects, he said, are drier Prairie summers, more forest fires and coastal flooding.

FREE OFFICE SPACE

Former Liberal senator Allan MacIsaac refused to relinquish his three-room office suite in Parliament's East Block. Reform MPs accused MacIsaac of being off-budget. But MacIsaac responded that since his retirement in 1995, "all my activities have been in the public interest."

SAME-SEX BENEFITS

Nova Scotia extended same-sex pension benefits to gays, effective July 1. The ruling followed an Ontario court decision in April declaring an unconstitutional part of the federal Income Tax Act that restricted survivor benefits from registered pension plans to spouses of the opposite sex.

ALMOST UNANIMOUS

Ontario's legislature endorsed the Calgary declaration of unity, which recognizes Quebec's unique character, but says all provinces are equal. The lone dissenter, Liberal MPP Alex Colville, said the declaration should have included a statement that the Charter of Rights and Freedoms is the supreme law of the land. Nova Scotia is now the only English-Canadian province that has not opposed the agreement.



Reform Leader Preston Manning addressing delegates' discontent

Manning's new strategy

A united alternative assembly—that was the vision Reform Leader Preston Manning presented to more than 1,000 party delegates gathered in London, Ont., for their national convention. "To make the transition from an opposition party to a governing party—to go the last mile—I am making you its coalition," he said. "This strategy would consist of making Reform 'open

to ideas for substantial change" in order to enter more voters into the movement. Manning said that the broader coalition—which could include that leftist Times as well as Liberals—would not compromise Reform's guiding principles of fiscal and social responsibility, democratic accountability, and a strengthened and rebalanced federation.

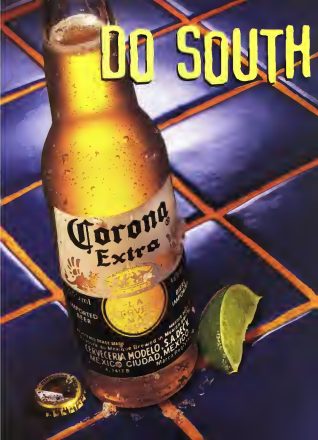
Manning left no doubt that he intended to lead the new initiative. "As your leader, there are two things that I want from this united alternative effort," he declared. "I want us to form a government together and, with your support, I want to lead that government."

Delegates voted 99 per cent in support of the new strategy, and 93 per cent in support of Manning's leadership. That skepticism remained. "It is the upper echelons wanting to win at all costs," Hilts Stewens of Halifax asked at a policy workshop. "Who knows what could happen if we open up the party? Some people might want to infiltrate us and jeopardize Reform's principles."

A question of freedoms

In a 5-3 decision, the Supreme Court ruled that Canadian authorities did not violate the Charter of Rights and Freedoms when, in 1995, the justice department sent the Swiss government a letter requesting the bank records of German-Canadian businessman Karlheinz Schneider. The request was part of an investigation into alleged kickbacks in the 1980s sale of Airbus aircraft to Air Canada, but the letter contained an apriori when news reports revealed that former prime minister Brian Mulroney was also named as part of the investigation. (Mulroney died for \$20 million, in January, 1997. Others apologized and later paid his legal fees of \$2 million.) Schneider's case hinged on whether Canadian authorities required judicial authorization and a search warrant, as is required in issuing Canadian bank records. But Swiss law has no such stipulations, and if the court said otherwise, protection does not extend into another country's jurisdiction.

In a second decision, the high court ruled 5-3 in favor of the Thomson and Southern newspaper chains, saying that the 1993 federal law banning the publication of polls 72 hours prior to an election is unconstitutional. "The impact on freedom of expression in this case is profound," wrote Justice Michel Bastarache. "The law interferes with the rights of voters who want access to the most timely polling information available."



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Edited by
TONY DAVIES

MacNeil
brings his
native country's
perspective to
the news

Canuck sensibilities

In the course of a journalism career spanning more than four decades, Robert MacNeil has always considered Canada a place from which he is usually gone—but which he has never forgotten. "I remain a Canadian citizen, and I want to be regarded as a Canadian writer," says the 60-year-old, Montreal-born MacNeil, whose third novel, *Breeding News*—a sometimes satirical look at between news—will be published this fall. That sense of identity persists although MacNeil left Canada while in his early 30s, and has spent most of the

years, "but I certainly carry a Canadian's sensibilities about the world at large."

Since stepping down as co-anchor of the PBS program in 1995, MacNeil has remained as busy as ever with television and writing projects. "That wreck MacNeil plans his life and use of time better than anyone," says MacNeil's friend—and fellow Canadian—Morley Safer, co-host of CBS's long-running *60 Minutes*. "The rest of us just sit around and alternately come and admire him." Canadian sensibilities indeed.

A hockey heroine goes to boys camp

Olympian Hayley Wickenheiser is bound for the Montreal Hockey League—for one week, at least. The 19-year-old, six-time Olympic Games student player forward on Canada's silver medal-winning women's hockey team at the Nagano Olympics this year. Afterward, Bobby Clarke, general manager of the men's Olympic hockey team and president of the Philadelphia Flyers, invited Wickenheiser to the NHL team's prospects camp in New Jersey this July. There, she will be the only woman playing alongside the Flyers' draft picks and other young players. Wickenheiser downplays any suggestion that the camp could



lead to an NHL berth. "I'm basically just seeing it as a chance to improve my game," she says, adding that she hopes to play in a professional women's hockey league in the future.

Wickenheiser, arguably the best player in women's hockey today, still has future Olympic plans. She would like to stay with the national hockey team at least until the 2002 Winter Olympics in Salt Lake City. But Wickenheiser's athletic ability extends beyond the rink. She is also hoping to make the Canadian women's softball team for the 2000 Summer Olympics in Sydney, Australia. Says Wickenheiser: "That would be a goal of mine, to play in the Olympics in two sports." Maybe the Toronto Blue Jays will be knocking on her door next.

Wickenheiser controls in softball, too

The 'Islamic bomb'

BY ANDREW PHILLIPS

They were dancing in the streets of Pakistan last week. People headed out on their way off to work and found fireworks in the air. A newspaper, *The Nation*, had sensed the reason for its first report: "Islamic bomb has finally landed." Hours earlier, Pakistan's government had conducted underground nuclear tests at a remote southwestern desert site near the country's borders with Iran and Afghanistan. The tests from the initial blast went far beyond the estimated one kilotonn of explosive power detonated below the Chagai Hills. It produced impurities of international concern—and predictions of a runaway arms race between Pakistan and India, which set off its own nuclear devices two weeks earlier. For Pakistan's prime minister, though, the bottom line was clear. "Today," said Nawaz Sharif, "we have evened the score with India. As a self-respecting nation, we had no choice left to us."

At least this time, the explosion came as no surprise. When India set off the blasts on May 11 and 13, the shock was all the greater because other countries had an advance notice. Even the United States' massive intelligence apparatus failed to forecast India's move. Last week, the Central Intelligence Agency issued warnings that Pakistan was about to respond to its arch-enemy—intelligence sources said the Pakistanis made no efforts to hide what they were doing. President Bill Clinton and other leaders appealed to Pakistan to hold off, but to no avail. Only a few hours before the tests, Clinton was on the phone to Islamabad, making what his aides later called an ambiguous plea to Sharif. The President promised rewards if Pakistan did not go ahead, and threatened punishment if it did. But he was snubbed—underlying yet again the ability of the only superpower to allege crimes in what has become the world's most volatile region.

India's tests had already deepened any hope for efforts to prevent the spread of nuclear weapons through the Nuclear Non-Proliferation Treaty of 1968 and the Comprehensive Test Ban Treaty of 1996. Pakistan's response raised even more troubling questions. How far will the two countries go in matching each other's power? Could their tenuous relationship (three wars in 50 years) give out of control and spark the world's first two-way nuclear conflict? Will China, another of India's foes, feel obliged to conduct new tests of its own? Will other so-called threshold states—those close to acquiring nuclear weapons, such as Iran and North Korea—now renew their ef-

Pakistan raises the stakes in the new nuclear arms race



Sharif joins his Pakistani foreign canisters will hit



fects? And what, if anything, can the rest of the world do about the sudden new threat to Asia?

In the short run, the answer seems to be: not much. As they did when India conducted its tests, the major powers immediately imposed penalties and sanctions. Clinton was quick to let U.S. law enforcement to Pakistan's test by halting its economic aid. Great Britain also did to the country was cut off to 1990 because Washington believed that Pakistan had acquired a nuclear bomb. But Washington will now use its leverage to oppose loans and credits to Pakistan from global bodies like the International Monetary Fund and the World Bank. A \$4.5-billion IMF loan could be delayed, along with up to \$1.1 billion a year from the World Bank and \$2.6 billion a year from the Asian Development Bank. Clinton's plan was to cut off India, Pakistan and Bangladesh in November to also in doubt.

Other countries soon weighed in. Japan, Germany and Australia ended loans and aid to Pakistan. Canada cut off its non-humanitarian assistance—worth up to \$23 million—and said it will urge the World Bank to order any Pakistan projects. Prime Minister Jean Chretien also personally urged Sharif by telephone not to go ahead with the tests, and Foreign Affairs Minister Lloyd Austin criticized

Testing the Ghauri missile on April 6: a pledge to end nuclear warheads



THE MISSILE BALANCE

All are surface-to-surface

India
PRITHVI Range up to 250 km, capable of reaching most of Pakistan. Based on the Russian design, it is under production in India.
AGNI Range of 2,000 km—assuming it works reliably. Latest version has not been tested.
Pakistan
HA-1 Range up to 300 km. China has reportedly supplied Pakistan with 30.
NAT-3 Range up to 800 km, capable of reaching New Delhi. Tested last year, reportedly under production.
GHAWRI Range of 1,500 km. One tested on April 6, but unclear when it will become operational.



countries that conduct tests and Pakistan to halt its action against them. "It's OK to conduct," he said, "but it's not to the military across it. Also, it's not to the military across it. Also, it's not to the military across it."

These sanctions will hit Pakistan hardest. India's much bigger industrial output worth \$300 billion a year, compared with \$94 billion for Pakistan, and has long pursued a quality-of-life strategy. The U.S. does not play a greater role in Pakistan's economy, so foreign debt is much larger, and its foreign exchange reserves much smaller. The result is that trading international institutions may lead quickly to crisis in Pakistan, starting with a default on its international loans. It is already a desperately poor country where riots have recently broken out over shortages of food and drinking water. Sanctions, say some experts, could be worse than useless. Pakistan is vulnerable, said if we seriously destabilize it we might be making things worse for everyone," said Graham Ross, a former South Asia analyst for the U.S. National Security Council. "The last thing we want is a shattered Pakistan which is a domestic catastrophe."

None of that, however, discourages the government. Pakistan's rivalry with India, rooted in the ancient enmity between Muslims and Hindus in the subcontinent, forced it to match New Delhi's tests. Opposition politicians, editors and military leaders had been pressing Sharif to act. He told Clinton, Chretien and other leaders who appeared to him that he had no choice—especially after Western countries failed to take stronger action against India. "What happened today must be seen as a natural reaction on our part," he said in a televised address.

At the same time, he declared a state of emergency and urged Pakistanis to tighten their belts to prepare for the impact of sanctions. He said he would make out of his fiscal moment, his minister's confidence, he added, would be tested in the schools and clinics. He announced currency controls, a ban on importing foreign luxury goods, and a crackdown on tax evasion. So grim was the atmosphere that one intelligence analyst in Washington even suggested that foreign senior government figures could be part of preparation for nuclear war. "It looks to us like they are evaluating their credibility-for-government purposes," he said. "It's very disturbing."

But despite all the fervent rhetoric, Western experts have many questions about the two countries' ability to inflict nuclear damage on each other—at least in the near future. Even the size of their underground tests is in dispute. U.S. experts monitoring data from the Chagai Hills test site said the estimated 10 kilotonn of explosive force of the first explosion—equivalent to 6,000 tons of TNT—was less than expected. Two more blasts on Saturday were believed to have had a combined force of 15 kilotonns, nearly as much as the bomb that was dropped on Hiroshima in 1945.

Delivering the weapons is another issue. To do that, both sides have had to work out their own logistics involved in making bombs small enough to be fired by jet fighters capable of entering their enemies' skies. The cycle of threats and escalation began on April 6, when Pakistan test fired its Ghauri missile, which has a range of 1,500 km—enough to hit many major Indian cities. Ghauri, the Indian point out, was a famous Muslim warrior who defeated a Hindu emperor named Prithvi—much by an coincidence in the name of India's main surface-to-surface missile. India is now developing a new missile, the Agni, with a range of 2,000 km. It could strike anywhere in Pakistan and hit major cities in China. Last

work, Pakistan publicly warned India that it was already fitting the Ghauri missile with nuclear warheads "to give a fitting reply to the misadventure by the country." But that, say Western experts, is probably untrue. Both countries, they add, are probably a year or two away from being able to sign a long-term pact with a nuclear weapon.

Who is responsible for such a threatening development at a time when the world seemed well on the way to eliminating the danger of nuclear war? Since the Soviet Union collapsed in 1991, Washington and Moscow have dismantled many of their weapons, while South Africa, Brazil and Canada have ended their weapons programs. The Nuclear Non-Proliferation Treaty was extended permanently in 1995, and two years later 145 nations signed up to the Comprehensive Test Ban Treaty. Even North Korea put its nuclear program on ice in return for \$5.7 billion in badly needed hard currency from the United States.

But at the same time, many countries had been failing the treaty in South Asia. The United States poured money and high-tech aid into Pakistan throughout the 1980s, when it needed the country as a base from which to help its beleaguered guerrillas fight the Soviets from neighboring Afghanistan. China, likewise, helped Pakistan with military hardware and assistance in nuclear and missile technology.

On the other side, India got a start in its nuclear program as long ago as the mid-1950s when Canada first donated a reactor to New Delhi. It received advanced military expertise from the Soviet Union and, since recently, from the United States. Since 1996, sensitive material such as nuclear safety equipment and computer used to simulate explosions have been sent by U.S. companies to nuclear facilities in India that are not subject to international inspection. That, says foreign policy analyst Michael Ledner at the American Enterprise Institute in Washington, has helped Pakistan in its mission to give India an advantage.

"Pakistan could hardly refrain from responding to India," he says. Those ties have complicated the international response to the latest crisis. Aside from imposing sanctions, analysts agree there is not much that outside powers can do. Conservationists may aid against Clinton for failure to give India and Pakistan from going ahead with their tests, but the past Cold War rivalry is too strong. "We are very rapidly seeing an international system emerging with multiple centres of power," said Ted Gales Carpenter, director of foreign policy studies at the Cato Institute in Washington. "The United States is clearly the most influential, but it is not capable of dictating outcomes." Instead of insisting to insist that India and Pakistan sign the test-ban treaty, he said, outside powers would be wiser to accept that both countries have the bomb and try to put in place so-called confidence-building measures—such as a nuclear hotline between New Delhi and Islamabad.

None of these suggestions, however, carried much weight last week in Pakistan, still backing to the rear of its tests. It was a moment to survive—one of the poorest countries in the world had become the newest member of the nuclear nuclear club. Babu Arun, a medical student, attended Friday services at Pashia Masjid in Islamabad and offered up a timely prayer: "Thank you, God, for giving us the bomb. After 50 years of independence, we are able to prove ourselves." Sanctions may help and Pakistan may suffer. But that, it was clear, was far from over.

THE IRANIAN THREAT

Of all the so-called rogue states still seeking nuclear weapons, Iran is almost certainly the closest. Now U.S. officials fear that the bomb bids by neighboring Pakistan may boost attempts by Tehran's rising Islamic mullahs to obtain a nuclear arsenal. "Pakistan might very well share its nuclear technology," said New York Senator Daniel Patrick Moynihan, a former ambassador to India. "I make no mistake, we now have an Islamic bomb."

American officials see that as a terrifying prospect. "Iran is so politically unstable," says a source close to the National Security Council. "It's not too much of a stretch to imagine certain religious leaders preaching that the Great Satan—whichever that happens to be at the time—must be nuked."

According to John Pike, a nuclear weapons expert at the Washington-based Federation of American Scientists, Pakistan's recently tested Ghauri missile wings resemble a design provided by Iran. The Iranians bought the design from North Korea, where the missile is known as the No Dong Two. "They are not such enduring friends that Pakistan will now give Iran one of its nuclear weapons," says Pike. "There's no share-and-share-alike agreement that flows in the business of figuring out who is helping Iran with its nuclear program and who has Pakistan high on the list."

U.S. intelligence experts say Iran once had its sights set on a bomb by 2000, but they now believe it will take until the middle of the next century. In part, this is because of Washington's pressure on Iran's nuclear supplies. Nevertheless, the country continues an aggressive effort, despite demands by its leaders. U.S. experts say equipment Iran has tried to buy for its nuclear energy program clearly suggests plans for weapons development. Intelligence from the former Soviet Union indicates the Iranians are more active than just in the past in making deals for "black metals" with the Russian mafia. And despite heavy American criticism, Moscow remains deeply involved in a three-year-old project to build Iran's first nuclear reactor at Bushehr on the Persian Gulf coast.

Having completed plant construction that was suspended by the Germans in 1979, the Iranians are thought ready to install a 1,000-megawatt reactor. The plant would not contribute directly to weapons development, but U.S. officials worry that training and technology acquired at the civilian site will spill over into a military program. They also are concerned that plutonium embedded in the reactor's spent fuel could be reprocessed into bomb material if Iran obtains the necessary technology. According to Pike, that would put Iran three or four years away from making a bomb. "At this point," he says, "it is something that we are just worried about, as distinct from being perturbed. Perturbed will come later."

Now, with both India and Pakistan in the grip of a new arms race, tensions into nuclear holidays are blowing. Canada—and disarming a memorandum on CANDU sales abroad. "Canada bears special re-



Inside CANDU plant in Chalk River, Ontario, Canada's nuclear safeguards.

Is Canada to blame?

Activists take new aim at nuclear reactor sales

In the 1980s, a stream of Indian and Pakistani scientists came for training at Canadian nuclear plants in Chalk River, Ont., northwest of Ottawa, and Douglas Point, Ont., on the north shore of Lake Huron. Their Canadian hosts had reason to be proud. Ottawa had put its nuclear legacy to general purposes—cheap and efficient electrical power—rather than the Cold War arms race. Canadian technology, officials told, would provide a new form of aid to the developing world—with India and Pakistan the first to benefit. In 1996, Canada gave India a \$8.2-billion research reactor known as CIRUS. Now Delhi then ordered two commercial CANDU reactors. Pakistan

placed an order in 1995 for a reactor called KANUPP that began its civilian nuclear program by 1997, Atomic Energy of Canada Ltd. had sold two more reactors, to Argentina and South Korea. Exports have continued since, most recently to China in 1996.

Now, with both India and Pakistan in the grip of a new arms race, tensions into nuclear holidays are blowing. Canada—and disarming a memorandum on CANDU sales abroad. "Canada bears special re-

THE EXPORT FILE

CANDU reactors abroad

- South Korea 4 (including one under construction)
- China 2 (one under construction)
- India 2
- Romania 2 (including one under construction)
- Argentina 1
- Pakistan 1

"Canada bears special re-



TURKEY

"Turkey is a country that is very important for the world."



"Turkey is a country that is very important for the world."



"Turkey is a country that is very important for the world."

CORRECTION

Previous issues inadvertently carried the wrong address for the Turkish Tourism Office in Canada. The correct address is:

Turkish Embassy Tourism Section
360 Albert Street, Suite 801
Ottawa, Ontario K1R 7X7
Tel. (613) 230-8034
Fax. (613) 230-3683
E-Mail: info@turkey.gc.ca or tourism@turkey.gc.ca
<http://www.turkey.org/turkey>

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WHAT MATTERS TO CANADIANS

WORLD

believes Canada's role, even if indirect, has been crucial. Copying CANSU's technology, he notes, "India has frequently built up more reactors and has four more in production." As for Pakistan, although plutonium from the KANUPP is not believed to have been used in last week's test, the head of the country's nuclear agency was on record as recently as 1995 blaming Canada and China for launching its nuclear program.

Canada's support for India's nuclear program came to a halt after 1974, when New Delhi exploded a test device fuelled by plutonium from its Canadian-made CIRUS reactor. Since then Pakistan refused to forgo a nuclear weapons program, Ottawa cut nuclear ties to both states in 1979 and brought in a range of controls and safeguards.

That, say atomic-power advocates, was the end of any unsettling Canadian complicity in nuclear proliferation. "We will not sell CANSU reactors to any country that has not signed the Nuclear Non-Proliferation Treaty," says Allen Kilpatrick, vice-president of marketing for AECL. With extensive monitoring by the United Nations' Visceralized International Atomic Energy Agency, he adds, "it is now virtually impossible" for other countries to divert byproducts of Canadian reactors for weapons. Canada also insists on strict bilateral treaties that prevent transfer of materials or technologies to third countries, and prevent the building of new reactors without Canadian control, says Murray Sawent, president of the Canadian Nuclear Association. He calls it "sacrosanct" to imply that such agreements will not be respected down the road. "Treaties don't get changed by another government," he says. "They don't expire. The controls are absolutely rigid."

The debate is not likely to be settled soon. Canada's nuclear industry has strong federal government backing despite a string of scandals, from financial mismanagement of hope to leaking efforts about AECL's nuclear waste reprocessing technology, and the deal to sell two CANDUs to China in value \$1.5 billion in informal financing. With a total of 30 nuclear reactors under construction by various makers worldwide, there is little chance the Canadian government will abandon its nuclear industry. Right now, AECL is building against a U.S.-Japanese cooperation and a French German group to sell two CANDUs to Turkey, which in the past has been suspected of using Pakistan's nuclear program. How can Ottawa ensure the technology won't go astray?

"You continually put into place and review security measures," says Foreign Affairs spokesman Sean Brown. "Until the world is willing to abandon nuclear power along with all nuclear weapons, he says, there is simply no way to eliminate all risks."

NOEL MORRIS

World NOTES

PROTESTING AN EMPEROR

Hundreds of British veterans who served much of the Second World War in Japanese prison camps in Asia angrily denounced Japanese Emperor Akihito during a state visit to Britain. The former POWs, who want Japan to formally apologize for the brutal treatment they received, burned the Japanese flag in the street and tossed their books of the emperor as he passed. Following Japanese policy, Akihito stopped short of apologizing, saying "I can never forget the many kinds of sufferings many people have undergone because of that war."

ORTEGA RAPE CHARGE

Zolomirka Ortega Murillo, the stepdaughter of former Nicaraguan president Daniel Ortega, filed a rape complaint against her father. She alleges that Ortega, leader of the Sandinista National Liberation Front and a revolutionary icon in the 1980s, raped her at age 15 and sexually abused her for years. As a member of the National Assembly, Ortega has immunity from prosecution. But she said it should be removed as prosecutors can investigate.

WORLD CUP SWOOP

After months of suspense, police in six European countries revealed up to 60 alleged Islamic militants as hopes of preventing terrorist acts during soccer's upcoming World Cup in France. Authorities acted in France, Belgium, Italy, Germany and Switzerland. Those arrested were primarily from Algeria.

DEMOCRATS CELEBRATE

Hong Kong's pro-democracy allies cracked open champagne and cheered following their victory in the former colony's first elections under Chinese rule. Their combined strength translated into 60 per cent of the popular vote but just 20 seats in the 60-seat legislature. Fatty seats are filled by a largely-backed election committee and other indirect means.

NEW PLANET SPOTTED

Using the Hubble space telescope, astronomers say they have photographed a planet outside Earth's solar system for the first time—a discovery one scientist called "unbelievably exciting." Found within the constellation Tau, the gaseous object is about 432 light years from Earth.

A comedian's tragic end

Canadian-born comic Phil Hartman made people laugh as the star of the NBC sitcom *Northern Exposure* and the voice of such characters as wisecracking actor Trey McClure on *The Simpsons*. Last week, his fans were plunged into gloom after he was found dead in his bed, apparently shot by his wife, who then killed herself. The 49-year-old

former *Saturday Night Live* cast member was lying sideways on his bed in shorts and T-shirt. His wife, former model Bryan Cranford, 40, was lying next to him, in pajamas. She apparently killed herself just as police, alerted by neighbours who heard the first shot, rushed the couple's two young children out of the house. Friends suggested that Hartman was leaving his wife for another woman and Bryan was angry and distraught.

In Hartman's home town of Bradford, Ont., just west of Hamilton, "the nation is one collective grief," said Isabel Plant, 75, Hartman's



The Hartmans in early May; played in Bradford's town of mayor's office

second cousin. "Avery like Bradford needs its heroes," Hartman, the fourth of eight children, lived in Bradford and he was 8. The family moved to the United States, but Hartman always returned to Bradford as his home town. And his community awarded a plaque to him in honor last year on the city's 75th of Fame. Now, the city is planning a memorial.

Promising free elections

Just three days after ending his 16-year rule as leader of Indonesia, Suharto said he intended to step down by adopting sweeping

political and economic reforms, including free elections, to hold open elections within a year that would allow all political parties to compete. Suharto's family and friends still control much of the country's wealth, through no nepotism, but he vowed to end such practices. Gen-

erally, the head of the country's powerful armed forces, Gen. Wiranto, took the reform. But his position by surrender his chair seat, Suharto announced H-Gun Prabowo Subianto, from a long position. If Indonesia's violence, to break out, many analysts believe Suharto could still emerge as leader.

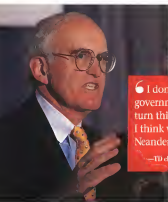
Russia's ravaged economy

The cash-strapped Russian economy battered on the edge of bankruptcy in the wake of a punishing railway strike and the government's inability to collect corporate taxes. Suffering citizens, who have not been paid in months, blocked rail lines, disrupting the shipment of oil, coal and manufactured products to the country's ports. International lenders, during that the

country was running out of 50 billion reserves, dumped both the ruble and Russian stocks—sending the country's fledgling stock market into a steep dive before partially recovering by week's end. To stanch the run on the currency, the Russian central bank kept its prime interest rate at 150 per cent. The International Monetary Fund, which is loaning Russia \$14.5

billion, helped calm the markets by offering its support for Moscow's reforms. It said as extra infusion of money would be necessary, although many foreign financial analysts remained skeptical. Russian President Boris Yeltsin vowed to cut government spending and crack down on corporations that owe billions of dollars in back taxes. "We should force them," said Yeltsin. "We know their nature."

Stumbling to the altar



"I don't think the government wants to turn this down. I think we would look Neanderthal."

—TD chairman Charles Balfie

Crispo calls "obscene stock options," the economist urged Liberal backbenchers to "get the chairman before you get after them: How much money have you made, personally, from this? Or do the mergers have anything to do with the public interest?" And then, barely pausing for effect, Crispo suggested, "That's the detector on." Task force chairman Tony Lunn called a big grin at that one. A laudable critic of the banks' treatment of small business, the Toronto MP will get his chance to grill Bank of Montreal chairman Matthew Burke when he goes before the task force this week. (Royal Bank chairman John Cleggorn follows on June 8.) Lunn was already scolding the banks last week, calling attention to new statistics from the Canadian Bankers Association showing that the banks' lending to small and medium-sized businesses had declined since 1995 at a percentage of total lending. Meanwhile, the banks themselves reported record second-quarter profits—hardly a development likely to persuade consumers that the industry must consolidate or suffer (page 46). "It's not only banks and I never complain about their profits," says Lunn.

But the banks have lost in Ottawa before on issues that mattered to them. And they can lose again.

It has not been a happy start to what the banks had expected to be a successful, if not necessarily graceful, walk to Ottawa's approval. For the record, bank officials say they are happy to have made it to the summer well on their first. Internal polling shows that fewer than a third of Canadians support the mergers, with another third opposed and the rest undecided. The bankers' current line is that the battle for approval will be a long fight that has just begun.

So far, though, most of the banks' inquiries have been sophisticated. Last week, CIBC chairman Al Flood and TD's Charles Balfie acknowledged that their clients enjoy more choice now than they will if the mergers go ahead. Balfie then expounded on his views during a conference call with analysts. He argued there is a "high probability" Ottawa will approve the mergers, adding, "I don't think the government wants to turn this down. I think we would look Neanderthal."

That kind of talk drives Martin wild. The mergers are the most politically sensitive issue he faces, and his own leadership aspirations make him acutely sensitive to the not-bank mood of the Liberal caucus. The minister still grows when he recalls how the Royal and Montreal ought to have surprised with their announcement on January 14 in March, when media reports quoted City Street brokers speculated Martin would face a revolt of bank shareholders and market managers if he dared reject the mergers. Bank executives were so worried they rushed to their phones to tell deputy finance minister Scott Clark they had not planned the story. "We never said that,



"The banks have lost in Ottawa before on issues that mattered to them. And they can lose again."

—Liberal MP Tony Lunn

savings plan to customers. But he is also capable, in the same interview, of arguing the banks should be allowed to sell insurance through their branches, "because lots of provinces in insurance will bring the costs of insurance down."

At the very least, that contradiction leaves room for analysts about the banks' motives. Bank officials say they were wrong to assume Canadians would respond positively to boasts that the merged banks would become global players. "The banks' own polling shows Canadians think having a homegrown global bank is a nice idea—as long as it doesn't cost them a penny more. By the hell, we'll have a message out that will say mergers mean better access to technology and lower service fees," says one bank consultant.

But to succeed, the banks will have to be seen as sincere. Right now the industry's fundamental problem is with the public, not Ottawa. A bank branch is like a confessionals, a place where people experience a rush of emotion, embarrassment at a burned cheque, pride in negotiating a mortgage, worry that they should have more money stashed away in RRSPs. Consumers want to be treated respectfully, and the megaphone dreams of bank chairmen to turn their institutions into global powerhouses can matter not a whit. The banks say they know their hopes of approval lie in showing more humility, in proving to Canadians that their customers' dreams matter as much as their own. The politicians are waiting to see if it can be done. □

in any speech," a cautious Cleggorn told Maclean's in an interview recently. But Lunn was not improving. These days the minister and the bank chairman crack one another like Cold Warriors, each feinting the damage he could do the other. Bank executives took particular note of the minister's statements at last month's Montreal Trust, GreatWest Life and Investors Group, a part of Paul Desmarais's corporate empire, where Martin worked for two decades.

The banks also need a tendency to say one thing in public, another in the confidences of their office lawyers. The problem is that many of their own executives believe Martin truly cannot back the stock market's love affair with mergers. "Do we want to block Canadiana?," asked one official. "No. But if Paul turns us down, the markets will punish him." Even Cleggorn uses apocalyptic language when he describes the threat posed by foreign competition to some bank operations. "Survival, for Canadian banks, is something that is 10 years out, depending on your size," he says. "But parts of your operation can disappear very quickly. We don't want to sit behind a Canadian Majestic Lane, because that's not going to work."

To undermine his claim that Canadian banks must be larger to compete with those U.S. rivals, Cleggorn points to the loss of 600 jobs at the Royal last year when the bank sold

its payroll operations to an American firm rather than limit foreign competition. That when asked if a merged Royal and Montreal would have retained that business, his answer is unambiguous: "We could have taken a hard look at that."

Cleggorn hardly fits the caricature of a bank chairman. Looking like he could comfortably swing beer from a bottle and talk sports over the backyard fence, the Royal's chairman is also a compelling—if jittery—bancroft. It at larger banks will be able to cut costs and pass the savings on to customers.

BY BRUCE WALLACE

If Canada's banks need any more evidence they must still seek a mandate to win Ottawa's blessing for their proposed mergers, they need only listen to what their friends are saying. "I claim to know something about capitalism and competition, and this means we wonder what I thought for all those years," gaily retorts Jean Crispo started recently during an appearance before the Liberal party task force on bank mergers. Crispo is currently a major critic of government meddling in the economy, prone to gorking over the impact of free markets. To recall he described this year's merger negotiations—the first between the Royal Bank and Bank of Montreal, the other involving the Canadian Imperial Bank of Commerce and Toronto-Dominion Bank—as asked power plays that will weaken competition in Canadian banking. "Our own banks," Crispo told the MPs, "have put a gun to our heads."

Crispo is one of many observers who accuse the banks of trying to blow their government into approving their mergers. The banks are smiling; they say, that Finance Minister Paul Martin will not risk the wrath of investors by turning down deals that have already inflated the value of bank shares. Noting that bank executives enjoy what

The best of times

Profits just keep rising at Canada's major banks

When it comes to their business prospects, Canadian bankers are in something of a quandary. They want it both ways. They need clients and investors to see them as leading-edge, competitive, profitable, all-system go. But this year of peering back over their shoulders they also have to persuade customers and politicians that bankers are a beleaguered bunch who will be left out of the dust of foreign competitors unless they get permission to merge, privatize. For those who are more inclined to believe the bottom line, the latest financial results from the big chartered banks suggest that, while not all bankers say, their operations are having a true-to-life holding their own in both domestic and foreign banking markets.

Quite the contrary—they are doing quite nicely well. Five of Canada's six biggest banks posted their second-quarter profits last week, and with one exception—the Montreal-based National Bank of Canada—each set a new record. Together, the banks rolled out a total of \$1.6 billion in profit for the three months ending on April 30, up a collective 36 per cent from the same period a year earlier. Adding these results to those generated during the previous quarter puts 1998 bank profits at \$3.1 billion, 15 per cent higher than last year's record earnings. (The last bank to report, the CIBC, will announce its numbers this week.)

The last money, moreover, has been made in exactly these areas where the banks claim to be under the most pressure. By traditional deposit-taking and leading businesses are experiencing only modest growth, these results have been driven by this year's spectacular double-digit gains from non-interest, longer-maturity operations—mainly credit card and bank service fees in national chains (a big source of increased profits for many banks) and especially brokerage and investment

banking businesses. But business now accounts for more than 66 per cent of the banks' revenues. Canadian banks with large foreign or discount brokerage operations have done particularly well. "Upbeat numbers" was the verdict from John Leonard, who watches Canada banks for Salomon Smith Barney in London. "Lots of people trading stocks at higher and higher prices no less into the year."

Banking spokesmen, old hands at defending their industry's profitability, were clearly

not just saying that. Wouldn't people be really disappointed if there weren't records every time? I mean, aren't earnings supposed to grow? Isn't that why we are in business to begin with?

In showing how much surplus value they generate, the big banks have to walk a fine line between what the equity markets want and how much the free-press public is prepared to accept. In the early 1990s, for instance, it was considered unseemly for a Canadian bank to make more than \$1 billion in a given fiscal year—leading the Royal Bank sufficient last-minute provisions and write-downs to bring its 1990 profit down to a more palatable \$692 million.

Times have changed. This year, the Royal Bank cleared \$825 million in the first six months alone—and that after setting aside another \$275 million in profit to cushion the bank's earnings in bad years.

The Bank of Montreal came in with a \$758 million profit after loan-loss provisions, while the Bank of Nova Scotia posted \$677 million, the Toronto Dominion Bank \$660 million and the National Bank \$335 million. All told, the six members of the set made \$1.2 billion out of their 1998 profits as insurance against bad loans.

Bankers do not like drawing attention to these figures. "You have to be careful what you write about provisions," said Dan Marshall, a senior financial executive at the TD. "You can't do it one provision and say that if they didn't take that, they would have made more." The statements included hereby (which do not take that) are made in compliance with the rules. This is the same and, indeed, banked (Black's trademark verbal prudent thing to do). Times trading of such opportunities as Toronto Corp. are so damn good right now. Sun Media Group, said, best of all for now that we are not seeing shareholders, some justified boasting. Most money has been made in that of that related to Southern's record financial performance during the past year. Earnings before interest, taxes, depreciation and amortization increased to \$93 million from \$46 million in 1996, while net income rose to \$623 million from \$94 million. And soon, Black predicted with his usual head-to-head self-confidence, the company will announce the "most important initiative in our long and proud history"—a new national newspaper.

What do you give a media magnate who has everything—or seems on his way to acquire it? The answer for Black, sure, could be the odds of a David, Roderick, to whom the next big thing. Along with his huge gamble on the mid-1990s newspaper, there are labor problems, a possible downturn in the economy and growing unease over his ownership of the daily newspaper industry.

The latest speculation surrounding Black concerns Southern's purchase last month of the Victoria Times-Colonist, the *Nanaimo*



Black (left) with Southern director Brian Cohen, newly hired Ainslie and Roderick challenges ahead

BUSINESS

First the good news

So far for Conrad Black: the chairman and chief executive officer of Southern Inc. gave a good meeting. The annual shareholders' meeting last week in Toronto, presided over by Black, and say that if they didn't take that, they would have made more. The statements included hereby (which do not take that) are made in compliance with the rules. This is the same and, indeed, banked (Black's trademark verbal prudent thing to do). Times trading of such opportunities as Toronto Corp. are so damn good right now. Sun Media Group, said, best of all for now that we are not seeing shareholders, some justified boasting. Most money has been made in that of that related to Southern's record financial performance during the past year. Earnings before interest, taxes, depreciation and amortization increased to \$93 million from \$46 million in 1996, while net income rose to \$623 million from \$94 million. And soon, Black predicted with his usual head-to-head self-confidence, the company will announce the "most important initiative in our long and proud history"—a new national newspaper.

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Daily News and several B.C. weeklies from Thomson Corp., owners of *The Globe and Mail*. Among the critics of the deal were John Henderson, publisher of *The Toronto Star*, and Paul Godfrey, CEO of Sun Media Group. Both wanted the Times-Colonist to be sold to a local owner. A chance to buy, Toronto wants to expand outside Toronto and has held talks with the Denon family, owners of the Halifax Chronicle-Herald. The Sun group, which publishes *The Windsor Star* and newspapers in Ontario and Alberta, has long wanted access to British Columbia.

The purchase has led to Street speculation that Black might swap the Times-Colonist and a smaller western paper to Sun Media in return for the Post, which he would expand and redesign. That would eliminate one of Southern's national competitors and give the Sun group its missing B.C. link. But Southern deputy chairman David Roderick, asked about the odds of a David, Roderick, "Zero! I don't see enough in it for it." Godfrey told Maclean's that the Post is not for sale, but added, "After enough money and all together." For now, time is on Black's side. The closer the new paper comes to starting, the more it depresses the Post's value, previously put between \$125 million and \$140 million. Meanwhile, Southern faces labor pres-

sure in Vancouver, Hamilton and several smaller markets. A contract with union and workers in Vancouver expires in the fall, and Southern insiders say negotiations will be difficult—although president Don Roderick insists, "I do not anticipate problems." The workers will have leverage because Southern plans to print the new paper's B.C. edition on those presses. In Ontario, journalists at the St. Catharines Standard walked out on May 12 over staff cuts and plans to reduce wages for new employees. Workers at the *Ramoth Spectator* and the *Kitchener-Waterloo Record* voted to strike this month over dragging contract talks.

A series of labor battles would depress profits at a time when Southern is entering a consolidation stage. The best news is that Black will buy new properties for a while. In fact, he said, if competitors "want to buy some of our newspapers, they have our telephone number." To that, Stuart Gorman, CEO of Thomson's newspaper division, responded, "I don't think Black that we would pay a very decent price for the Calgary Herald," considered the most profitable at Southern's major newspapers.

Southern faces other challenges. After circulation of its nine largest newspapers fell 4 per cent last year, that loss is unlikely to be reversed. Advertising price increases usually trigger an immediate drop in circulation that later reverses itself. Most newspapers raised prices in the mid-1990s because of spiraling newspaper costs, and held the line for the past two years—no same circulation rebound was necessary.

That means next year's shareholders' meeting will likely be more subdued. Even if Black's new daily is a success, the odds for more consolidation will continue. Black's answer in Ontario is the 25-per-cent restriction of foreign ownership of newspapers. "We operate around the world," says Black, who owns papers in London, Jerusalem and Chicago, "so why have competition in Canada?" Any such move, however, would trigger a debate between the Canadian wing of the Liberal government and the party's free-trade advocates. It would also alter the Canadian newspaper market forever—as Black himself has already done.

ANTHONY WALSHON-SMITH



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Ross Laver

Hooked on options

If money is a drug, bull markets are the financial equivalent of crack. Stocks it's too easy for the thriftee-seeking shareholder to get hooked on spiralling prices, forgetting that at some point there is bound to be a terrible day of red-curtain. And that great double for all those investors who have access to one of the market's most addictive stimulants: employee stock options.

True, they're flying high now—just look at Bank of Montreal chairman Matthew Barrett, whose options are worth, on paper, some \$25 million. But what happens next time that market goes into a prolonged lull again? It's going to be tough for all those CEOs to settle for their relatively modest base salaries when they can no longer count on rising share prices to value their compensation packages.

That's just one of the problems created by the dominance of stock options as a favored form of employee compensation. In the early 1990s, the number of option plans began to explode as part of an altogether headless trend to link pay to performance. At many companies, particularly in the supercharged computer and telecommunications sectors, option plans now extend to every employee. In high-tech houses such as Citicorp, even some secretaries have been known to pocket \$100,000 as a good year by calling in options.

But the growing dependence on stock options has a darker side. When a company's stock stops rising, it becomes difficult to hang on to key employees. The good ones often package and move to a booming start-up, where the odds of making a major financial win are much higher. They know all about that at companies such as Core Corp. of Ottawa and PDC Group International Inc. of Toronto, two former stock market stars that have seen their share prices plummet, wipe out what previously had been a lucrative incentive.

Even more troubling is the impact of stock options plans on outside shareholders. When employees exercise their options by purchasing shares at a predetermined price, it increases the total number of shares outstanding, thus diluting a company's earnings per share. In effect, money

that rightfully belongs to existing shareholders is siphoned off and distributed among a charmed circle of insiders.

Few investors would dispute the value of a stock option plan if its exercise spurs managers and workers to achieve higher returns. But how much is too much? And is it fair that every average executive can ride the huge rewards lately because a rising economic tide lifts all boats? The Council of Institutional Investors, representing more than 200 major U.S. pension funds with assets of more than \$1.4 trillion, recently called on companies to index option grants so that the rewards would go only to those who outperformed the overall market or competing companies. If such a system were in place in Canada, our bank chairmen, among others, would be many millions of dollars poorer.

In the interests of protecting shareholders, the council's proposal deserves to be taken seriously. Another step in the right direction would be to crack down on companies that rewrite the rules by reducing the price at which employees are allowed to exercise their options. Increasingly, that's what is happening at companies whose shares have

fallen on hard times. By encouraging the old options for new ones that can be exercised at the stock's current price, top managers give themselves and their underlings a second chance to cash in.

The list of Canadian companies that have rejiggered options recently is long and growing longer, a clear sign that options are now as just as an incentive but as a means to an end. It includes both Corel and PC Decartes, as well as Rogers Communications Inc. of Toronto, Myer Communications Inc. of Toronto and Viceroy Resources Corp. of Vancouver. Last but not least, there has been an epidemic of replacing among junior gold mining companies, whose shares have been beaten up by a sharp in precious metals. With all prices unduly weak, watch for a reversion to the status quo in the energy sector.

In fact, the growing popularity of rewriting provides a hint of what's likely to happen in the next bear market. Instead of cutting back, corporate bosses are going to demand that the performance bar be lowered. Heads they win, tails they lose.

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Business NOTES

CANADA LIFE EXPANDS

Canada Life Assurance Co. of Toronto announced a deal to buy most of Regina-based Crown Life. Financial details were not released, but one source just valued the buy-out at \$200 million. The takeover boosts Canada Life's assets by \$5 billion to \$40 billion, but almost a third of Crown Life's 1,700 employees in Regina may lose their jobs.

INTEL LAWSUIT LOOMS

The U.S. Federal Trade Commission is considering an antitrust suit against Intel Corp., alleging that the computer chip giant abuses its market dominance. Intel controls nearly 60 per cent of the world market for microprocessors.

FONOROLA FOILS CALL-NET

Securities regulators in Ontario and Quebec slowed Fonorola Inc. to block a takeover bid for another month after the Montreal-based phone company said it is talking with other potential buyers. Fonorola rejected a so-called poison pill, or shareholder rights plan, to thwart a \$5.5-billion offer by Call-Net Enterprise Inc. of Toronto, the company behind Sprint Canada. The plan might be dismantled by June 30.

SHOWBOAT SINKS

Lowell Inc. said it will scrap one of two Miami American leases of Showboat at its last major cost-cutting move under a new management group led by Hollywood agent Michael Ovitz. The Toronto-based theatre company said it lost \$29.8 million in the three months that ended on March 31.

MARKET MAYHEM

A prominent consulting firm warned that some Wall Street computers could go berserk if and when the Dow Jones index, now hovering near 5,000, crosses 10,000. The Gartner Group said some computers could read a 10,000 Dow as 1,000, triggering automatic trading systems to sell after mistaking the new high as a catastrophic crash.

BANKS DOWNGRADED

Moodys's Investors Service downgraded the credit and financial ratings for five major Japanese banks, citing concern over Japan's weakening economy and the Asian financial crisis. The U.S. credit agency put another four Japanese banks on review for possible downgrades.

Protest at the post office

Canada Post is facing a revolt by independent postal outlet operators. At least 500 of the 3,700 franchisees across the country are fighting an attempt by the Crown corporation to slash the fees they earn from stamps. The agency wants to cut the commissions on stamp sales from 17.5 per cent to five per cent. Canada Post is also asking franchisees to spend \$25,000 or more for new computers and other improvements at each outlet. Donald Marzoni, a North Bay, Ont., businessman who operates postal outlets in three of his four daughters, said the changes will cost him \$100,000. "It just doesn't make sense," said Marzoni, adding that the three outlets generate about \$300,000 in profits a year.

The opposition has prompted Canada Post to extend the deadline for accepting the changes to Oct. 1 from June 1. The franchisees



Toronto postal outlet franchisees are banding together

are also protesting a pilot project to involve the sale of stamps through bank branches. "Here we have Canada Post in bed with the banks trying to shut down these mom-and-pop operations," said Jean Paul Stron, a spokesman for the franchisees. Canada Post says it is trying to balance its rate schedule to better reflect the work done by the firms. While stamp commissions are being cut, the amounts paid for some other tasks, such as parcel handling, are being increased.

Blood, sweat and tears

Fighting down about war? So are a lot of other Canadians. A survey of 2,004 workers by Witsac Wynet Worldwide, a consulting firm, found that the percentage of Canadian workers satisfied with their jobs has fallen to 62 per cent from 70 per cent in 1995. Despite a stronger economy, only 31 per cent of respondents were satisfied with their pay—down from 60 per cent in 1995—and a mere one in four Canadians said

they trust the people they work for. "There is a lingering level of alienation that perhaps was generated through the '90s with the restructuring and organizational change that continues to go on," said consultant Owen Parker. A worrying trend for Canadian business, the report said, there is a "greater disconnect" between bosses and workers in their assessments of how well companies are managed. "That is going to have a real impact on the bottom line in the future," said Parker.

FINANCIAL OUTLOOK

Bank of Canada governor Gordon Thiessen said the central bank would usually raise interest rates to defend the Canadian dollar, but there is no sign that markets have lost confidence in the currency. His assurances had little effect on the dollar, which ended the week near its all-time low of 68.25 cents (U.S.).

Critics say Thiessen's refusal to raise rates has undermined the dollar, causing investors to bypass Canada in favor of higher U.S. rates. But the top banker argued that Canada's Q & P-

cent inflation rate—nearly half the U.S. figure—provides strong support for the currency. Analysts said Thiessen will keep rates steady for now unless the U.S. Federal Reserve Board makes a similar move—such as an unlikely prospect.

—Royal Bank

INFLATION

Annual rate of increase in consumer prices



"The Thiessen stance is just what the doctor ordered in terms of the health of the Canadian economy. Yes, the economy is weak, but no, this does not reflect any lack of confidence in Canada. Quite the contrary."

—Royal Bank

"Overvalued dollar" doesn't offer the way to prosperity. The ever-declining currency reduces living standards for all Canadians and is a principal factor explaining our underperformance relative to the United States."

—Michael Burns



Peter C. Newman

No, Joe—please, people don't go

Every once in a while a university or high school of notes me to speak to their graduating class, and I always start my remarks with the same advice: "I'll could say a couple of words to you, before you go out into the cold, cruel world, those words would be: 'DON'T GO!'"

It's the usual advice to Joe Clark, who, if the speculation is true, is about to announce his candidacy for the Tory leadership race. It's a brave idea, but it won't fly. It's an unlikely concept in Allan MacEachern's claim that he gets his office space in the Senate so that he can offer "no-partisan" counsel.

On paper, Clark's candidacy is perfect. He has 16 years of parliamentary experience; he's been his leader for seven years; he knows the Conservative party inside and out, and he can talk credibly about past and future constitutional reforms without falling prey to history. History tends to focus on his disastrous term as prime minister, when he seemed so stumped at having defeated Pierre Trudeau that he left that throne only his inside team months later, like an unwanted child. Yet even his severest critics agree that as a reluctant adviser of the Mulroney administration, he batted out to be a good secretary of state for external affairs and a great minister of constitutional affairs. No doubt, he would at least give where left of the once-pride and once-proud Progressive Conservative party a chance and a voice that would command attention.

He is also a mere example of that breed of Conservatives known as Red Tories, who are harder to find these days than whooping crows. He would not, therefore, be the last bit tempted to accept Premier Mulroney's marriage proposals, which amount to a bribe, not among equals, but the old-fashioned kind in which one partner subsidizes the other.

Another Red Tory, Hugh Segal, seems bent on winning the Tory leadership contest virtually by acclamation if Clark backs out. Segal is a bright and sprightly fellow, a great guy to have on a television show or over for an afternoon. But making a suggestion?

I don't think so.

It is easy enough to dismiss the whole leadership exercise as irrelevant, because the Progress Conservative party to do any way, and what does it matter who gives it a decent burial. But that is not necessarily true. There may not be much of a party left in Parliament, but there are Tories out there looking for a new leader. In the last election, the Conservatives received 2,835,740 votes, put 64,230 less than Reform, which went on to become the official Opposition.

At some point in the future, the Liberals will become corrupt and highly vulnerable, it happens to all governments. At that moment, there ought to be a viable alternative that doesn't carry with it the

negative agenda of the Reform party. Since the NDP remains tied to an ideology that will not fit the global realities of the 21st century, a renewed and reformed Conservative party may be the only hope. You don't just praise the party of the John A. Macdonald that founded this country, its farthest 14 governments, and has ruled Canada for a total of 55 of its 121 years. It has always been difficult in Canada to form a national party that represents the country's regions, and among the opposition parties, the Conservatives have the best chance of doing so again.

Staked against Joe's impressive advantages are some overwhining liabilities: to be hated by the voters is not a politician's worst nightmare. (Trudeau demonstrated that leading is irrelevant, so long as it is accompanied by respect; it is to be laughed at, Mulroney Joe Clark, and people smile. "They did you hear all out the time he was presented a pair of cufflinks? Damned if he didn't go out and get his wrist pierced.") It is a deadly attribute to live down. It was not Joe Clark, but his untired ally who lost his baggage—but he got blamed because it was what most people thought he would do.

Clark is stuck forever with the thought that he will never set the world on fire, except by accident. There is a physical awkwardness about the Man from High River for which he tries to compensate by sticking out his chin and lowering his voice—presumably so that he looks stronger and sounds more sincere. (I have a large chin and a deep voice, but I am not a politician.) Clark is a man who has anything to do with political success, then Mulroney would have been PM forever).

Clark's ultimate failing as a politician is that when he is asked a question, he usually blazes out the truth. Political Canadians are so used to their politicians lying that they can't handle one who doesn't.

It was rewarded by Joe's problems while recently researching the history of the Calgary Stampede. Part of its mythology is that prime ministers take part in the opening day parade. Pierre Trudeau did, and even though Californians hated his guts, they stood up and cheered the fact that he could ride a horse. Joe, who had the chance, didn't ride in the Stampede. That has nothing to do with running the country, but it is indicative of his image problems. (Jean Charest doesn't ride a horse either, but he's not from Alberta.) As his first Stampede, Charest wore his cowboy hat backwards and tucked his pants into his boots. Albertans found that such bad form; they over-whelmingly voted for Prentiss.)

Joe Clark is a decent man who has contributed more than his share to his country. If he is not fired to be prime minister again, at least he is so far returned to his integrity and his honor. To show his hat in the ring now would make him seem desperate and out of touch with reality.

So, Joe, don't go.

People believe
Joe Clark, now a
likely candidate
to lead the Tories,
will never set
the world on fire,
except by accident

Theatre

Drama that delivers

The Shaw scores with two of its opening shows

Opening week at the Shaw Festival in Niagara-on-the-Lake, Ont. has been particularly stylish this year. By the time the initial plays hit the boards late last month, the flowers of early touring were already blooming around the town's historic cottages and houses. The sun has been shining, too, on the festival's traditions. Last year it enjoyed its most successful season ever, drawing almost 70 per cent of its season and achieving a \$166,000 surplus. But the best news is that artistic director Christopher Newton, 61, has renewed his contract for another five years. In almost two decades on the job, he has turned his troupe into one of the best anywhere.

He is also one of the country's finest stage directors. Of the five opening-week shows (six more follow later in the summer) in the Shaw's 51st Jubilee 57th season, it is Newton's own production of *The Lady Not for Burning*, by English playwright Christopher Fry, that bursts most strongly in memory.

A 1948 verse romance set in late medieval times, the play tells the tale of a disbeliever and a very witty man called Thomas Mendip (Simon Baskery) who arrives in the town of Colyton (described to be hanged). It seems he has not much evil and destruction (his character reflects the exhaustion and despair of the post-Second World War period in which the play was written) that he thinks the town has less no longer fit to live. But such is his condemnation, the townsfolk are more attracted to his language than to his actions. (As Baskery), a young woman they believe to be a witch. Unlike Thomas, she wants desperately to live, and so the two enter into a fascinating argument about the meaning of evidence.

The genius of this 1948 classic is the way it balances wit with seriousness, humor with a deep evocation of mortality. When it was first performed, many critics declared



Playwright poignant yearning and an argument about the meaning of life

its poetic language to be Shakespearean, but it is neither more nor precisely neopagan than that, evoking a story world where nothing too dreadful is likely to happen. This is reflected in designer Leslie Franklin's enchanting set with its hidden steel door and huge round window looking out on an Arcadian landscape. The superb cost turns the townfolk into an amazing gallery of Chaucerian originals. Best of all are Baskery and Bagdady; the other characters fall thereby in love, they uncover the poison, human yearning at the drama's heart.

The next best show is director Neil Murray's charmingly tragicomic version of *Tom Canty* by Will Ross, the over-the-top 1936 comedy by the American writing team of George S. Kaufman and Moss Hart. In a sense, plays like these are where television sits closest to drama. When *The Howey* women through to *Scarf*. At the centre,

there's a wacky family of eccentrics, the Spencers. The mother, Penelope (Mary Harty), is a would-be playwright who constantly types away at manuscripts the never finishes, her obsession derailing her the best that, eight years earlier, a typewriter was delivered to the house by mistake. Paul (Peter Millard), the dad, makes flowers in the basement. This is a very funny play, but Murray has also given full, touching resonance to its good-hearted belief that human beings are able to create a happier destiny for themselves.

Less successful is director Helen Kain-Hawson's production of George Bernard Shaw's 1910 drama, *Major Barbara*. The story concerns a young woman from a wealthy family, Barbara Underhill (Kelli Fox), who goes to work with the Salvation Army. The crisis comes when her father, accountant manufacturer Andrew Underhill (Glen Mural), persuades the organization with a large amount of money. The horrified Barbara wants the Army to refuse the gift, because it represents the profit earned from war.

One of the show's strengths is Fox's resonant Barbara; at one point, she gives a heart-rending cry of despair that represents the show's deepest plumbing of the moral issues involved. But overall, this is a highly conservative, Major Barbara, which—despite pockets of fine acting—never achieves a unified, visionary intensity or comes fully to grips with the play's something argument that capitalism with evil is the only

refined art production. *The Shop at Sly Glen* (1945) is the current instalment of the festival's popular repertory series. Directed by Joseph Ziegler, this production is chiefly notable for the performances of two Shaw veterans, the ever-lustrous Michael Ball, as a London antique dealer who takes in the underworld, and the brilliant Jim Inhofe Phlips, as his hilariously flipping housekeeper. Finally, the musical this year is *A Fagg* Day, with words and music by George and Ira Gershwin, and a brand-new book by Nora Foster and John Minkler. This frothy concoction about an upper-class girl who falls in love with an American songwriter is modestly amusing, but does not quite match the craftsmanship and gusto of the Shaw's best efforts in this genre.

JOHN REMBORE

Chips off the old rock

BY NICHOLAS JENNINGS

Clay Tyson has an impeccable musical pedigree. The only son of Canadian folk legends Ian and Sylvia Tyson, he was born amid the string of gold records and sold-out tours that his parents enjoyed through the 1960s. Before they separated in 1970, Clay had attended countless rehearsals and performances and watched many giants of the music world—including Jerry Lee Lewis and Willie Nelson—pass through the family house. As he recalled last week while sitting in a suburban Toronto café not far from where he grew up, a career of his own in music seemed only natural. But rather than follow his parents into folk or country, Tyson pursued punk and avant-garde pop. As bandleader for the Loek People, a satirical, Frank Zappa-inspired band of the 1980s, he sported only a lox club and a half-shaved head—much to his cowboy father's chagrin. Says Tyson, who shares his father's rugged good looks: "He told me, 'Son, if

offspring of an earlier generation of pop icons—including Bob Marley and John Lennon—came of age. And this summer in Canada, the music scene will feature a number of pop progeny. First off the mark is Brian Waweright, son of acclaimed folk singers Loudon Wainwright III and Montreal-born Kate McGarrigle, who last year released an eponymous, self-titled debut on the Los Angeles-based DreamWorks label. It will be followed soon by albums from Adrian Cohen, son of Montreal native Leonard Cohen, and Tal Bachman, son of folk baritone Willie. He is an advance biography from his record company notes: "One might have expected Adrian to enter into the project with considerable baggage, if not outright trepidation." The son of Suzanne Elrod, commented in Leonard Cohen's famous song "Suzanne," he was born in Montreal and grew up in France, seeing his father infrequently. And fortunately, the younger Cohen has a warm, side-line voice to distinguish himself from his father's baritone, says the baritone. While he may not yet be a chip off the old block in the poetry department, dexterly lyrical ballads like "Ole Crapole" and "The Rose" reveal a similar taste for songs of vernacular despair.

Growing up in a musical household—with access to instruments, instruction and the whole atmosphere of music-making—has obvious advantages. Tal Bachman was only 12 when he began singing



heretofore stubborn streak from him," laughs Tyson, a former folk courier who peddled to the interview in his red and yellow cycling gear. "I used to think that a record deal was the end of the rainbow, but after my experience with the Loek People I'd rather do it myself and have more control." Tyson adds that he plans to finance his singing efforts, which he estimates will cost \$100,000, with earnings from his current part-time job as a theatrical set painter.

Adrian Cohen has clearly benefited from a prestigious lineage—and a helpful hand from his father. Signed to his dad's Los Angeles-based company, Stranger Music, Adrian scored a record deal with Columbia, which also happens to be his father's label. However, the 15-year-old Cohen, who is due to release his self-titled debut in July, cannot help feeling pressure over the inevitable comparisons with his revered father. In an advance biography from his record company notes: "One might have expected Adrian to enter into the project with considerable baggage, if not outright trepidation." The son of Suzanne Elrod, commented in Leonard Cohen's famous song "Suzanne," he was born in Montreal and grew up in France, seeing his father infrequently. And fortunately, the younger Cohen has a warm, side-line voice to distinguish himself from his father's baritone, says the baritone. While he may not yet be a chip off the old block in the poetry department, dexterly lyrical ballads like "Ole Crapole" and "The Rose" reveal a similar taste for songs of vernacular despair.

Growing up in a musical household—with access to instruments, instruction and the whole atmosphere of music-making—has obvious advantages. Tal Bachman was only 12 when he began singing

THE FOREIGN POP PROGENY

Like father like son? That question has dogged every artist who ever tried to follow his parent's career path. When Julian Lennon and Zappa released related debut albums in 1986, each bore such an eerie resemblance to their fathers, both aurally and visually, that critics could not help but judge them in relation to their dads. For Lennon, now 25, the comparisons eventually became too much, and he temporarily retreated from the limelight. Marley, now 29, died before, perhaps because he was only 17 at death. Marley's children (there are 11 altogether) who have taken to the stage

that the possibility of critical backlash clearly makes some musical offspring wary. Bob Dylan's son, Jakob, 28, of the Wallflowers, refuses to discuss his father in interviews. Others, including Adam Cohen, Rufus Wainwright and Chris Stills, have braved stardom and reviewers in Los Angeles, where they have all become friends. Says Waweright: "Getting signed [to record deals] is both a blessing and a curse because the expectations are so high. We're all just that connection."

So, too, do half-brothers Sean and Julian Lennon. After years of performing with his mother, Roko Oso, Sean has finally released his own album. Titled into the San Diego Rock & Roll Hall of Fame, it coincides with the release of Julian's first album in seven years, "Photo-graph." Sean's debut yet available in North America. An eclectic collection of songs that range from breaky pop and hard rock to jazz and bossa nova, into the San Diego inspired by Sean's relationship with Nika Honda, of the Japanese pop group Cibo Matto, with whom he recorded the album. "It's about sharing something with somebody and the music evolved," writes Sean in the autobiography

children, is now poised to release a bayonet collection of songs. Beatleque tunes on Columbia Records, assisted by noted Vancouver producer Bob Rock. Says his proud father, with obvious understatement: "Things have really gone his way."

Waweright, too, was raised in music as a child. During a recent interview with *Maclean's*, the 20-year-old McGarrigle revealed that his mother, who divorced his father in the late 1970s, influenced him by rehashing the amount of television he could watch as a child. "There wasn't a lot of hardware around our house when I was a kid," he says. "So the place became like my computer." McGarrigle enfolded Rufus in piano lessons at 6, by 13, he was performing at folk festivals with her, his sister Martha, and his aunt, Anna. The following year he wrote and sang "I'm a Flower for the Day" (written and/or sung by Stewie Turner), which earned him both a Gemini and a Jutra nomination. Says McGarrigle: "Rufus had the chops very early on, where he could control what was a really nice sounding voice. And he's always been a sensitive about music."

Waweright, readily acknowledges his parents' good influence on his career. With his father's career with DreamWorks, which ultimately crested around \$1 million in his ambitious recording: "My dad got my tape to [producer] Max Dyke. Parks who in turn got it to [DreamWorks] president,



Sean Lennon: Also Vancouver-area resident

accompanying the release. "It's about the happiness of being alive and the craziness that goes with it." Sounds odd, unlike the concept of his parents' 1968 Two Mages album. And while Sean is musically closer to his father's rock than to his dad, a song like "Ghosts" bears a striking resemblance to his father's style.

Like Julian Lennon, Chris Stills is very much his father's son, his father being Stephen Stills of Crosby, Stills & Nash fame. The 23-year-old makes no bones about it either: "I got lucky in the gene pool," he cheerfully tells his interviewers. Adds Stills who, like his friend Adrian Cohen, grew up with his mother in France and attended the American School in Paris, "I wish I could sing it. I got some of my dad's guitar chops." Those skills are evident at over 20 minutes, 100 Year Thing (Atlantic/Warner), an album deeply rooted in 1960s rock. How do the words to that popular Crosby, Stills & Nash song go? "Teach your children well..."

N.A.



The Tysons: Waweright (right) many sons of '60s-'70s Canadian legends are coming of musical age

you become a star looking like that, I'll eat my hat..." The father's Station is still intact, but Clay may yet become a star. Recently, the 31-year-old musician (now fully clothed and with hair grown out) turned his hand to songwriting and began showcasing his straight-ahead, acoustic urban ballads to appreciative Toronto audiences. Last week, he joined his mother in a special one-night writing workshop presented by the Art Gallery of Ontario. And in the next few months, he begins work on his debut album, scheduled for release in September, joining a growing number of children of established folk and rock stars who are following in their parents' footsteps. The phenomenon really started in the mid-1980s, when

being too closely associated with their own musical parents. Beyond looking like his own Web site to the sons of his parents, Clay Tyson relates to each in the family connection. "I don't want to be judged like that," he says. "To do so, it's totally different music, so it's apples and oranges anyway." While the others all have major-label deals, Tyson, who shares his father's dislike for the music industry, is going the independent route. "I guess I'm

up to the drum kit to have a band doing breakbeat B.T.B. releases. "I'd just always had this intuitive thing with music," he adds. "Really, music, that's a natural affinity for instruments. Everything I'm involved in, I can play. I can play piano, I can play guitar, I can play bass and guitar. It was easy."

At first, Tal spent his academics over music, attending Chulalongkorn University, where he studied political philosophy. But he dropped out in his final year, and later joined his father's band when the drummer cancelled due to injury. He never looked back. While Randy toured with Ringo Starr's All Starr Band in 1996, Tal used his father's studio in White Rock, B.C., where Randy now lives, to record a demo tape of his own music. The following year, Randy took the tape around to various record companies in the United States. Vancouver-based Tal, 28, who is married and has four

children, is now poised to release a bayonet collection of songs. Beatleque tunes on Columbia Records, assisted by noted Vancouver producer Bob Rock. Says his proud father, with obvious understatement: "Things have really gone his way."

His Bratwurst with the music and, and stepped more in Tim Pan. After and romantic opera than the folk music of his parents, the album is a stunning debut. "Rufus actually likes just about every kind of music but folk," laughs McGarrigle, whose fondness for folk singer Paul Robeson is contrasted with her own love of opera. Her Martin Cullin in the song "Rufus" (which may prove to be the most subtle can be passed from parent to child, better suited to be a strictly generational thing. □

Allan Fotheringham



The Unite the Right crusade is dead as a dud

This is a country that is in major trouble. Unless it does something about it, it will be in the same bind it has been in almost all this century.

That is, like Albania—it will have only the National Governing Party ruling it forever. The country that has been run by the Liberals practically all the century since Sir Wilfrid Laurier was a pop now is in danger of having another unaccounted stroke over our future.

This is because the dreamy Unite the Right theories in killing off the Tories, collapsing in the ditch, the terrified caudex tied to the rails in the silent crosses and dooped to oblivion. In our new Plaza Parliament with five parties, as carved up as an hopeless Italian coalition, as long as there is no way to combine right-wing parties—Reform and Conservatives—Liberals will reign forever.

The Blockheads from Quebec, there only to break up the country,

are increasingly irrelevant, fed by someone who nobody pays any attention to anymore. The NDP are stuck in gumbie mud, not able with vague palladium leaders to vote into the "New Liberals" aside that has made Tony Blair a world figure.

And so, God save the mark, we are faced with the savior who will Unite the Right. The Conservatives must be giggling over cocktail hour, sharpening their swords as they contemplate the possible opponents in the millennium election.

Even the Reform delegates, in their annual convention last week in London—trying in vain to establish an Ontario base—were amazed about the flickering on-the-water prospects of Thomas Manning, the Robinson who has every nip and tuck done like a Playboy controlled, from his teeth to his hair to his eyes, and still comes across on television sounding like his underwear is too tight.

He is not going to Unite the Right, in the Millions. Still mired in that Alberta anger, not making any progress in Ontario, dead in Quebec forever after those anti-Quebec ads last election, unknown in Atlantic Canada.

Joe Clark, pretending he's making up his mind while everyone knows he's hiding, drowsing down his chin, for the job has once again Tony Blair? Yesterday's man tomorrow? Forget it. Liberal tactics



would lose it. The man who has the worst political judgment since Rutherford B. Hayes parachuted into Scotland trying to convince Britain to make peace with Hitler? Forget it.

Haggle Sept, who once counted for Maurice McTeer's hand with Joe Clark, in the winner after dinner speaker in Canada. He makes up there with Milton Berle. He is bilingual, being raised as a Marxist from humble roots and has passionately true beliefs in the red end of Torydom. And hates the Reform redneck trawls.

I love him, but he could never sell as Rod Deen, with his anglo-girth, paragoned son and on-stage humor. Under the Right—backed by Young Turk Basil. From safety from his redoubt in Washington—needs a new face, just as Tony Blair burst upon the British with his Cool Britannia. Just as one lineage, laid back Pierre Elliott Trudeau's burning as an emboldened Canadian electorate at the verge of 1986 and vigils out, with his charm and arrogance, the Conservatives for three straight elections.

The solution for the confused United the Right troopers is quite clear. The PM, growing increasingly aware of the clear knowledge that these troops have no clear leader, is overhauling his will story as for a third term to be grown older and more strong, while Paul Martin, as he grows older, desquams and desquams.

If Unite the Right had any leader—which of course it doesn't being divided, like Gael, into three parties—it would call upon Lewis MacDonell. The only soldier in Canada who has survived the muck-up of our one-pronged military force, a hero in Bosnia.

He is the most riveting speaker in Canada today, someone who can make an audience—talking without a note for 30 minutes—the best man in the room. The stupid Tories, running him in the last election up Perry Sound's jaws, were crushed by Sept and Barbara McDougall—never gave him the money and delegate support he needed and lost to a Liberal hackleader who on one outside the ruling has ever heard of before or since.

There is the suspicion (perhaps nasty) that the then-head of the Conservative party was not entirely happy that this charismatic—older and more experienced on the world stage—guy might become a star in Cameron's Britain. Just adding.

The problem, of course, is ego. All of politics involves national ego. That's why they're in politics. Otherwise, they'd be garbage-men, or postmen, or humble magazine columnists.

They put themselves above the party. They wrap themselves in the flag. And they convince themselves that they are the saviors of the nation. Which is why either Joe Clark, who is a very decent and also gay, or Marthe Segal, whom I love, will emerge as the new leader of the Conservative party in the way to Unite the Right.

And why the real solution, Lewis MacDonell, late of Cylindrick High School in British Columbia, won't even be considered. They're eneny.




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